# NationsBusiness

The Small Business Adviser

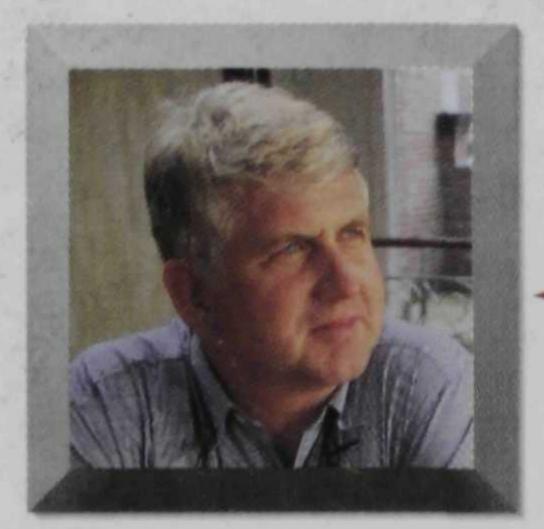
How Managers Can Avoid Losing Touch Using Golf To Swing Deals How The IRS Views Gifts To Employees



Intuit's Scott Cook



EDventure Holdings' Esther Dyson

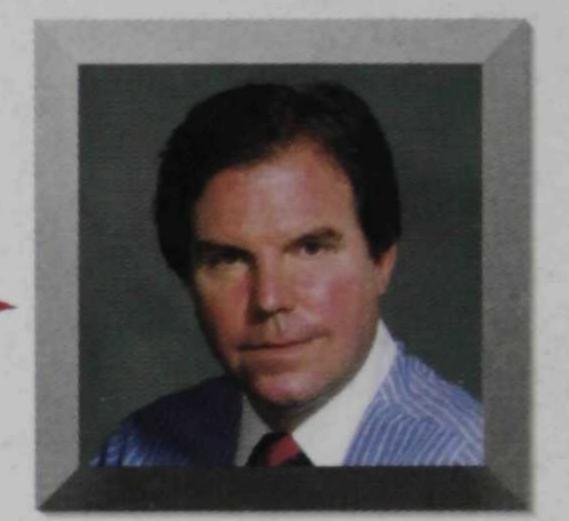


International Data Group's Robert Metcalfe





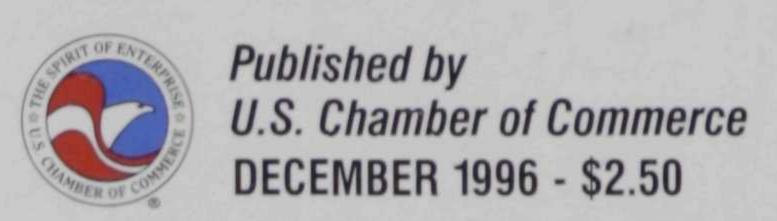
Microsoft's Robert Bach



MIT's Nicholas Negroponte



Netscape's James Clark



The marriage of computing and telecommunications technology is beginning to reshape the way small companies operate.

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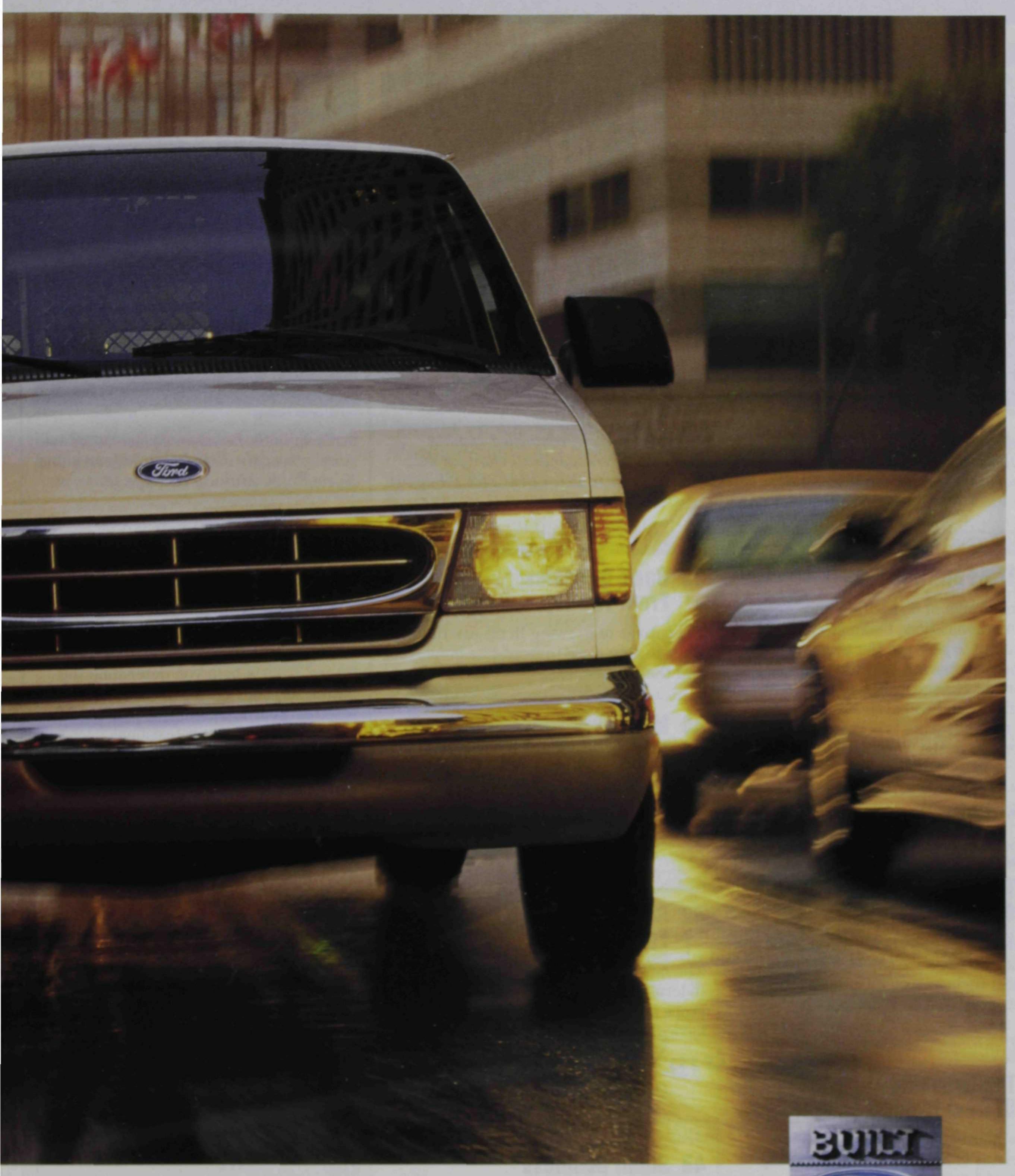
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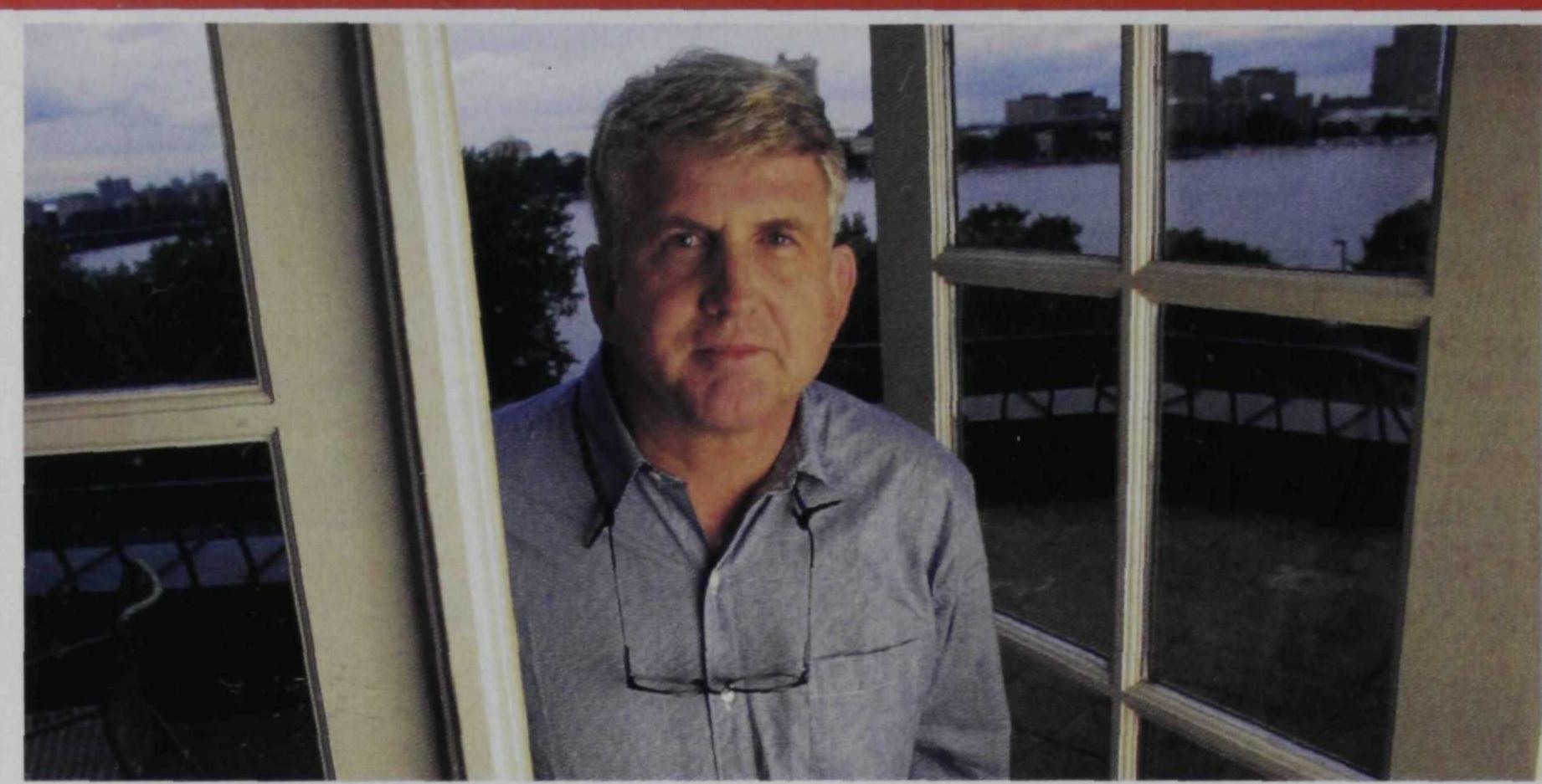


PHOTO: @RICHARD HOWARD

Computer-networking innovator Robert Metcalfe—one of several renowned experts envisioning the frontiers of telecommunications—says technological changes will, among other things, make computers cheaper and easier to use. Cover Story, Page 16.

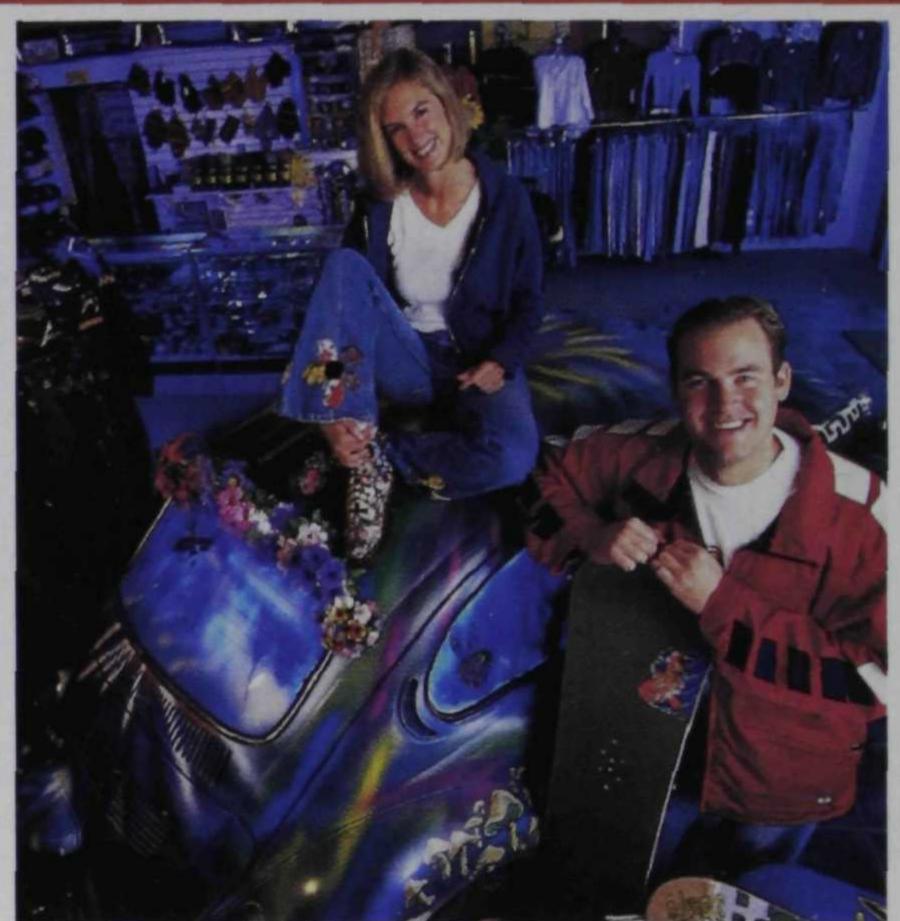


PHOTO: @MARK KATZMAN

Surf's up in St. Louis for Splash beachwear stores founders Joni Boldt Ridgway and Kyrle Boldt. Making It, Page 13.

#### **COVER STORY**

#### 16 The Future Is Now

The marriage of computing and telecommunications technology is beginning to reshape the way small businesses operate, and the most important changes will be far more significant and will arrive much faster than the shift from typewriters to computers in the workplace.

23—Tomorrow's Technology Today

#### INSURANCE

# 29 Taking The Taxes Out Of Health Care

Employees at small firms will soon be able to take part in a national experiment—medical savings accounts, designed to be a cost-effective insurance option.

#### MANAGING

#### 32 The Greening Of Deal Making

A few hours of golf with business associates can pave the way for doing business later—and reveal a lot about the players.

34—You Are As You Golf 35—Mind Your Manners From Tee To Green

#### 38 Back To Basics, From The Top

Executives of growing firms are finding ways to stay close to front-line employees and their customers.

#### 45 Managing Your 'Customer Portfolio'

Savvy businesses cultivate customer loyalty because keeping customers is more cost-efficient than replacing them with new ones.

#### LEGISLATION

#### 42 Seeds Of Change For Farmers

The new law that gradually eliminates federal subsidies on certain commodity crops is altering the landscape in agriculture.

43—New Rules Down On The Farm

#### FINANCE

#### 48 Small Business Financial Adviser

Gifts that don't get taxed; friendlier independent-contractor rules; COBRA compliance check; balancing risk and reward.

#### **FAMILY BUSINESS**

#### 53 Professionalizing A Family Business

A company takes steps to become more professional and position itself for the future. Charts help you determine the nature of your firm's priorities and whether your managing style is entrepreneurial or professional.

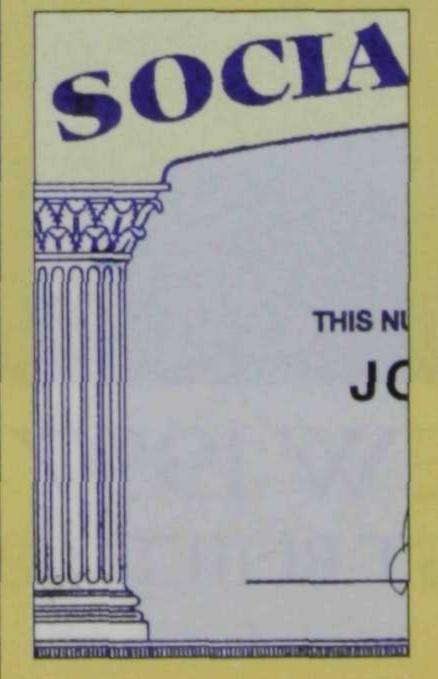
#### **POLL RESULTS**

#### **60 Time Off For Workers**

Nearly one-third of the respondents to the October Where I Stand poll want federal labor laws changed so that employees can—if they choose—receive compensatory time off rather than pay for overtime.

#### WHERE I STAND

#### 61 On Social Security



Express your views on fixing the Social Security system, which experts warn is on its way to fiscal calamity unless major changes are made to accommodate a huge increase in beneficiaries in the 21st century.

# vol. 84, No. 12 Editor's Note

# When You Need A Crystal Ball

Technological change is occurring at such a rapid pace today that making decisions to purchase equipment or adjust business operations based on where we think technology is headed can be especially challenging. It's hard to know, for example, whether a decision to buy a computer today might best be delayed until tomorrow,

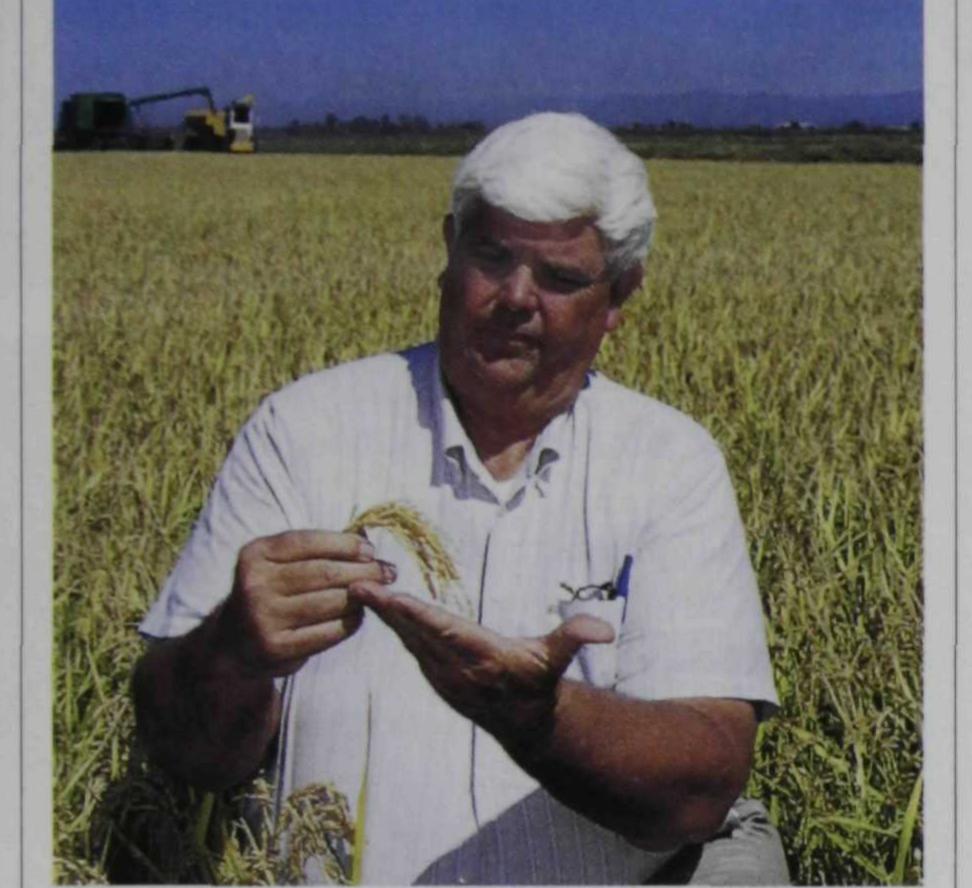


when a better tool could be available at a lower cost.

With that in mind, we aimed in this month's cover story to offer insight on where computer, software, and telecommunications developments are headed. Our goal was to help readers anticipate how their companies might operate in the future.

Senior Writer Tim McCollum, shown here with one of the earliest computers, on display at the Smithsonian Institution in Washington, D.C., tapped the minds of several well-known authorities in the field. Their perspectives are reflected in his story, beginning on Page 16.

We hope this article will help you in making decisions today and in envisioning the possibilities for your company tomorrow.



Rice farmer Charles Mathews may be hurt by the new farm law's phasing out of some commodity subsidies. Legislation, Page 42.

4 Letters

6 Entrepreneur's Notebook

8 Dateline: Washington

10 Managing Your Small Business

13 Making It

**57 Classified Ads** 

**62 Direct Line** 

**70 Free-Spirited Enterprise** 

71 Editorial



PHOTO: ©TOM SALYER

If you play golf or have contemplated taking it up, don't miss our story called "The Greening Of Deal Making." It examines the benefits of doing business on the golf course, even if you're a novice, and the services that golf resorts can offer business practitioners.

We also provide the latest tips on business-related golf etiquette and a look at how a person's style and actions on the course may provide a telling glimpse of how they do business. The article begins on Page 32.

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Mary Y. McElveen Editor

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# Letters

#### White-Collar Workers' **Insecurity Runs Deep**

In your October cover story, "The Flip Side Of Downsizing," you quote Claudia Goldin, a professor of economics at Harvard University, as saying that whitecollar workers are finally "feeling a tiny tinge of the insecurity that the blue-collar workers have always felt." This statement is far out of touch.



Recently, for a large company with a majority of white-collar workers, my company interviewed a significant sample of the 12,000 employees who remained after the firm downsized by 20,000. These employees were feeling much more than a "tiny tinge" of insecurity.

This was in Silicon Valley, but we have found this situation across the nation.

The American public came to expect disinformation from both candidates in the presidential race, but why haven't the media gone beyond reporting the millions of new jobs that they say have higher wages than those lost to explain why the average hourly wage has not increased significantly?

Henry E. Wessel Partner Strategic Research, Inc. Fremont, Calif.

#### A World Wide Web Site On Stock Offerings

In January 1995 you ran a story titled "Are You Ready To Go Public?" wrote at that time to suggest that a

mention of the Small Corporate Offering Registration program—which enables small businesses to raise up to \$1 million a year by selling common stock—would have been appropriate.

I was happy to see SCOR mentioned in your September cover story, "Capital Ideas For Financing." However, one of the most comprehensive World Wide Web sites on SCOR was omitted from the list of Web sites.

Your readers might want to check out http://www.scor-net.com/, site of The Direct Stock Market's Small Corporate Offering Registration Network.

S. Elaine Lyttleton Partner Lyttleton & Associates

Carlsbad, Calif.

#### **Employers Are Trustees For Federal Tax Payments**

In "Getting Wired For The IRS" [October], Dallas businessman Bob Oliver Sr. states, "We float our cash flow just like everyone else."

Employers should understand their responsibilities if the cash they are floating consists primarily of funds withdrawn from their employees' paychecks. Employers are temporary trustees for those funds, and the money should not be considered as working capital.

In addition, under electronic payment of federal taxes, the funds are withdrawn out of your account at the same time as they would be if you went down to the bank and made your payroll deposits. The difference is that you save the time you would have spent standing in line. Ira Silver, CPA

#### **Another Helpful Book** For Importers

Altamonte Springs, Fla.

With regard to "Assistance For Importers" [Direct Line, October], may I suggest that a book published by our sister firm, GMS Publications, called Guide To Importing, would be an ideal source for any budding importer.

The book costs \$34.95 plus \$2.95 for shipping and handling and is available by calling 1-800-206-5656. GMS also has a number of other helpful publications for those who engage in international trade.

In addition, the Centre for International Trade provides assistance for importers and exporters worldwide, and we would be pleased to offer our services to your readers. They can call the above toll-free number for information. Rose Budd Assistant Director

Centre for International Trade White Plains, N.Y.

#### **Credit-Card Status** Can Be A Catch-22

Your story "Selling By The Book" September] was very informative. You missed one important facet, however: the need to secure an acceptable merchant relationship with a MasterCard and Visa processor.

This can be a real Catch-22: You cannot do mail-order or telephone-order business without such a relationship, but most card



ILLUSTRATION: GEORGIA LEIGH MCDONALD

processors and banks really don't want this type of business. That is doubly so when the firm is a start-up.

To further complicate the problem, MasterCard and Visa are now requiring special software that can match the customer's card number with his or her address, and many banks and processors are not familiar with this software.

I would urge people who are contemplating getting into this type of business to do their shopping for merchant status early in the game.

During the process, they will need to make sure that the person or company they are dealing with is familiar with mail-order and telephone-order business; that the quote they get reflects the surcharges on mail-order and telephoneorder transactions that are imposed by MasterCard and Visa; and that the pointof-sale system being offered is capable of address verification.

As in most business situations, failure to do it right the first time could lead to some nasty surprises.

Jay W. Hearst President Bancard, Inc. Boulder, Colo.

#### **Service And Warranties Are Key In Auto Repair**

As the owner of an auto-repair shop, I was very interested in your article "Looking For Ms. Goodwrench" [Making It, October], about Margie Seals and her successful auto-repair shop in Atlanta.

Seals brings up an issue that is argued about often in our industry, namely: Which are better, original-equipment parts (dealer or manufacturers' parts) or aftermarket parts? Seals says she uses manufacturers' parts because they are of "the highest quality," and she implies that because these parts are superior to all others, she has almost no returns or complaints.

At my shop, which has been in business for 16 years and generates \$2.5 million a year in sales, we used to think the same way years ago. We know better today.

We have had new dealer engines explode after 200 miles, and we have had aftermarket engines do the same. We have had new dealer alternators with a one-year warranty go bad in hours, as have aftermarket alternators that are half the price and carry twice the warranty.

We are able to buy aftermarket parts with lifetime warranties that are far superior in quality and half the price of the dealer parts, but we buy certain dealer parts because the aftermarket parts either are not available or are of poor quality.

The point is that the quality of the part is rarely the issue when the car comes back broken. The fight begins when the vendor or the shop refuses to honor the warranty or the customer is five days out of warranty and no one is willing to help him. The part is only as good as the vendor who sold it and the shop that installed it.

The quality of our service is measured by how we handle the warranty claim, not by what brand of part we use. We believe that price, warranty, availability, and service after the sale are far more important than the color of the box the part came in. Mark Salem, Owner

Salem Boys Auto Tempe, Ariz.

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The marriage of computing and telecommunications technology is reshaping the way small businesses operate.

Cashing In On Trade Shows Small business strategies to get the most out of trade shows.

The Flip Side Of Downsizing 4844 As technological advances and other forces reshape the economy, new jobs are outnumbering those lost.

#### **Capital Ideas For Financing** 4841 How some spirited business

#### owners met financing challenges. **Entrepreneurs Who Excel**

Seven renowned entrepreneurs tell how they made their businesses dazzle —and how others can do the same.

#### The Little Guys Strike Back 4834

Ten strategies to help small, independent retailers thrive while competing with big discount chains.

#### **Smart Hiring**

4830

4838

Practical tips to help you hire the right people.

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# HILLITITIAN ENTREPRENEUR'S LNOTEBOOK

# When Expansion Goes On A Roll

By Rick Davis

or many successful businesses, there are two options for growth: You can do it yourself, or you can franchise. Doing it yourself, or "rolling out," can bring greater personal reward than franchising so long as your firm is a good candidate for company-owned expansion. Unlike franchising, in which you sell the use of your trademark but give up direct management control and interest in the offshoot operation, rolling out a company means opening your trademark to new locations while retaining a majority interest in the business.

Since 1987, when I launched Night-Rider, a photocopying business specializing in overnight service, I have been researching, creating, and launching chain-potential service businesses. (NightRider has since been rolled out to 45 company-owned locations nationwide and now has annual revenues of \$100 million.)

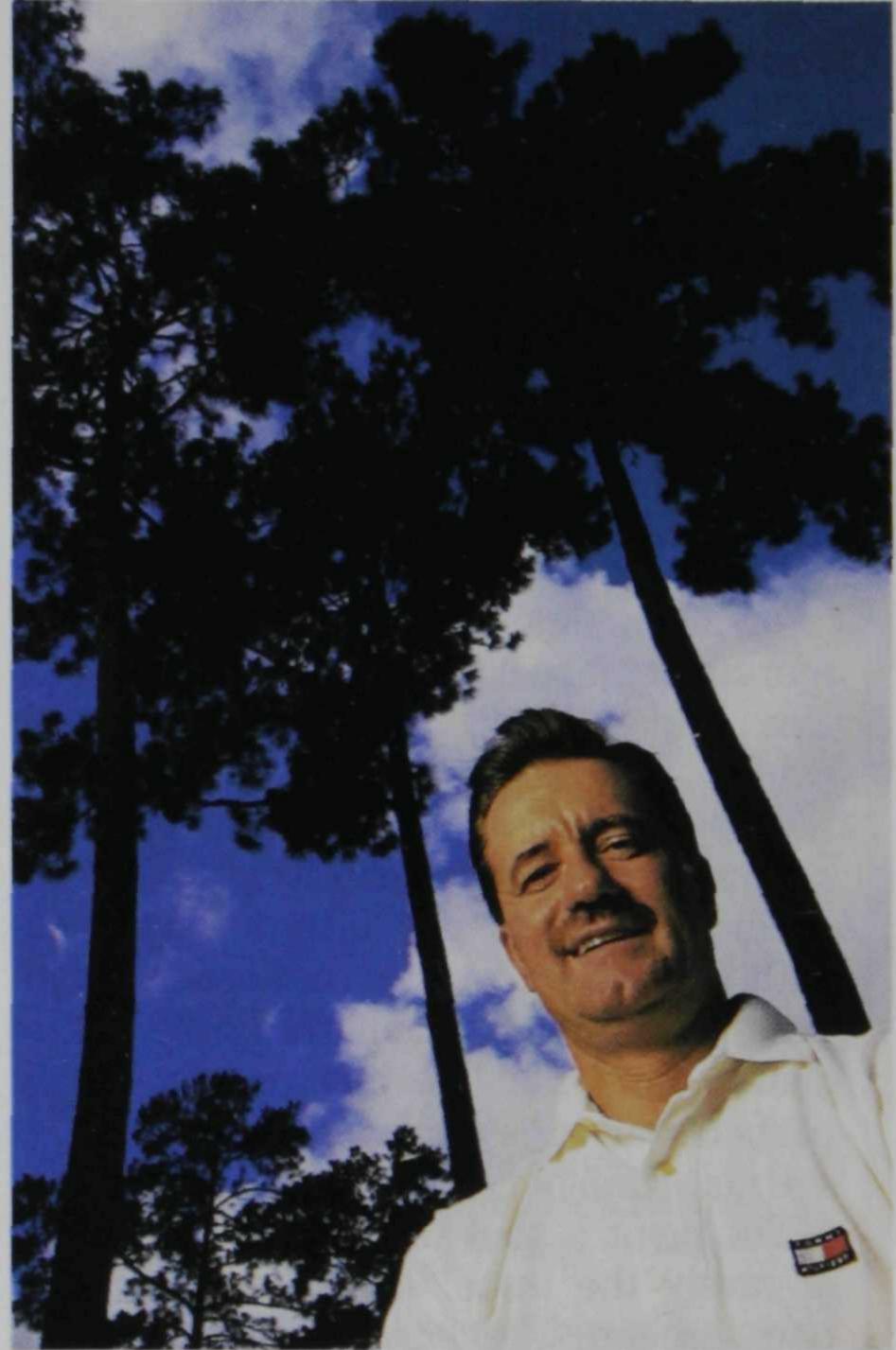
My company, CCG Venture Partners, is now working in a joint venture with Atlanta-based Omni Technology Centers. Each center offers training for corporate computer programmers and systems managers, typically those professionals who in turn teach their companies' employees how to use various software packages. We opened our first two expansion locations this year and have plans to roll out to eight additional markets during 1997.

#### A Strategy For Success

There are several keys to success with a roll-out expansion. It should start with a business that has outstanding performance in one market. Specifically, the business should be profitable enough to pay a general manager/partner \$150,000 annually and still have a 20 percent pretax margin.

It must also have a distinct competitive advantage in at least one area—prices, service, people, or technological property

Rick Davis is president of Houston-based CCG Venture Partners. He prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a business are invited to contribute to this column. Write to: Entrepreneur's Notebook, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.



Davis' strategy for business growth.

or advancement—and be operating in a marketplace where it is free from foreseeable threats to its income stream or ability to capitalize on its advantages.

It should also be a business with a fairly high service component and one whose customers are more interested in what is being provided than in who is offering the service or product.

#### "Unmanaged" Structure

While it's possible to succeed with a traditional, hierarchical management structure—a pyramid of corporate managers— I believe that better results come from finding equity partners in each market. Creating an "unmanaged" environment means structuring partnership agreements so that local managers/partners are so vested through their compensation plans and direct investments that they automatically do what's in the company's best interest and, hence, yours.

CCG's business relationships are

grounded on a mission statement tied to strategic annual plans and even to our compensation program.

At the start of each fiscal year, our local partners write a yearlong financial plan; once we agree with the plan's direction, we tie 50 percent of the local partner's compensation package to his or her achievement of the plan's goals.

By doing so, we inject a tremendous amount of realism and truth into the planning process. In addition, we know that local management will work toward the plan and can largely go about its business without interference from

#### No Scrimping

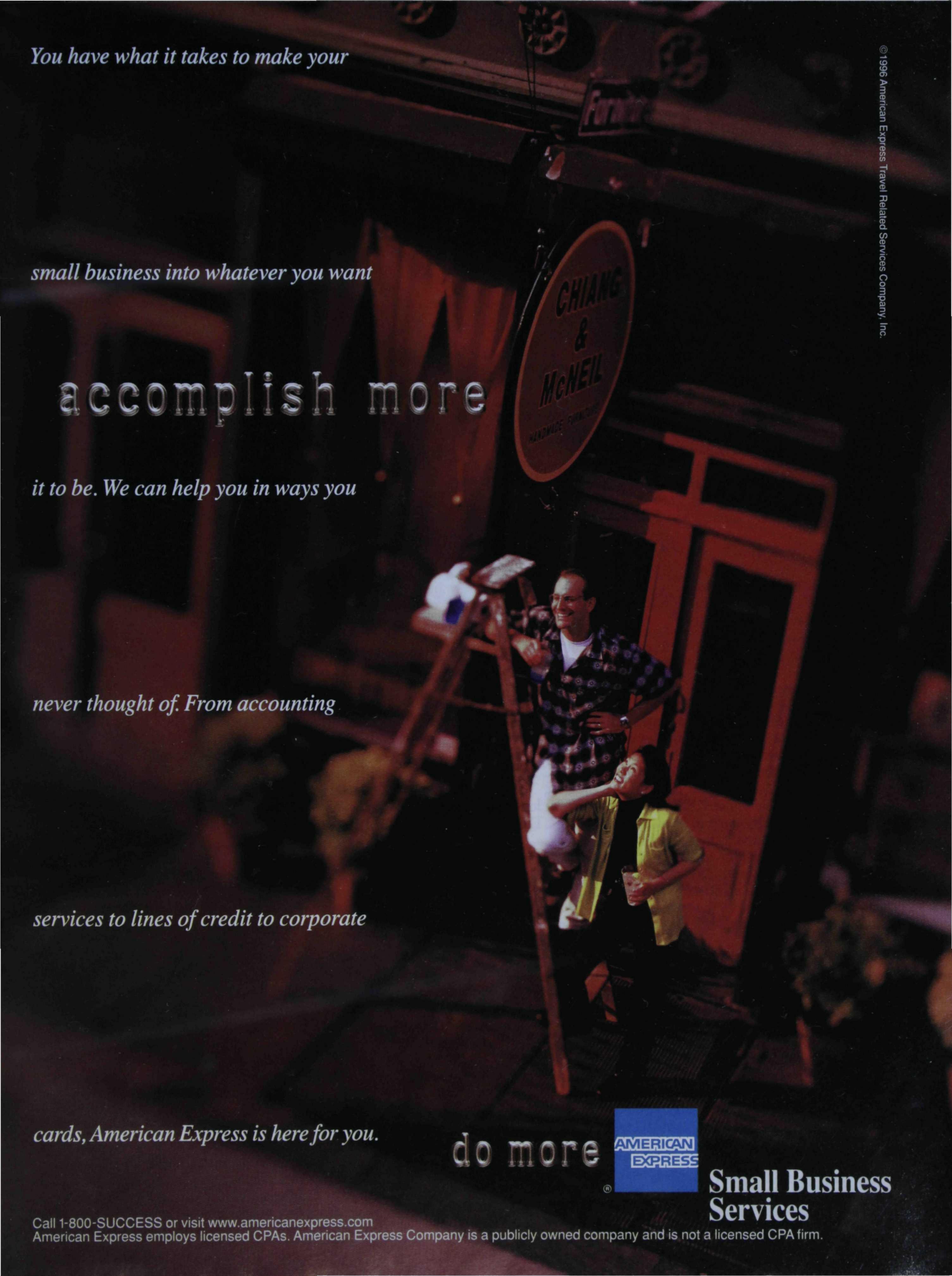
Likewise, we recognize the value of taking the time and money needed upfront to find the right person. I may spend up to a year and close to \$100,000 altogether—for headhunter fees, travel expenses, and other costs—to find the right partner for a particular market. It's important to look for a vested partner, not simply a manager. The person should possess outstanding personal

**Looking at** the big picture is integral to Rick | character, the right skills and experience for the business, and a track record of consistent success.

> Getting those components in place is not simple—franchising may appear to be an easier route—but rolling out a business allows you to maintain greater control, profits, and equity when your entrepreneurial venture is ready for new challenges.

# HICHARI LEARNED

Expanding to new locations while keeping majority interest in the business lets you maintain control and profits.



# Dateline: Washington

Business news in brief from the nation's capital.

#### **PAYROLL EXPENSES**

#### Benefit Costs Hit A Record High

The average cost of employee benefits reached a record-high 42 percent of payroll in 1995, up 1.3 percentage points from the year before, according to a new benefits survey by the U.S. Chamber of Commerce.

The average cost of all benefits for each full-time worker in 1995 totaled \$14,659, the Chamber found.

The results of the survey, *Employee Benefits 1996* Edition, are based on the responses of 854 businesses from a cross section of industries, states, and company sizes. In all, the companies responding employ more than 2.4 million workers, making the survey the largest of its kind.

While the cost of health insurance for active employees inched downward in 1995, those savings were negated
by increased costs associated with the restructuring of some large companies.

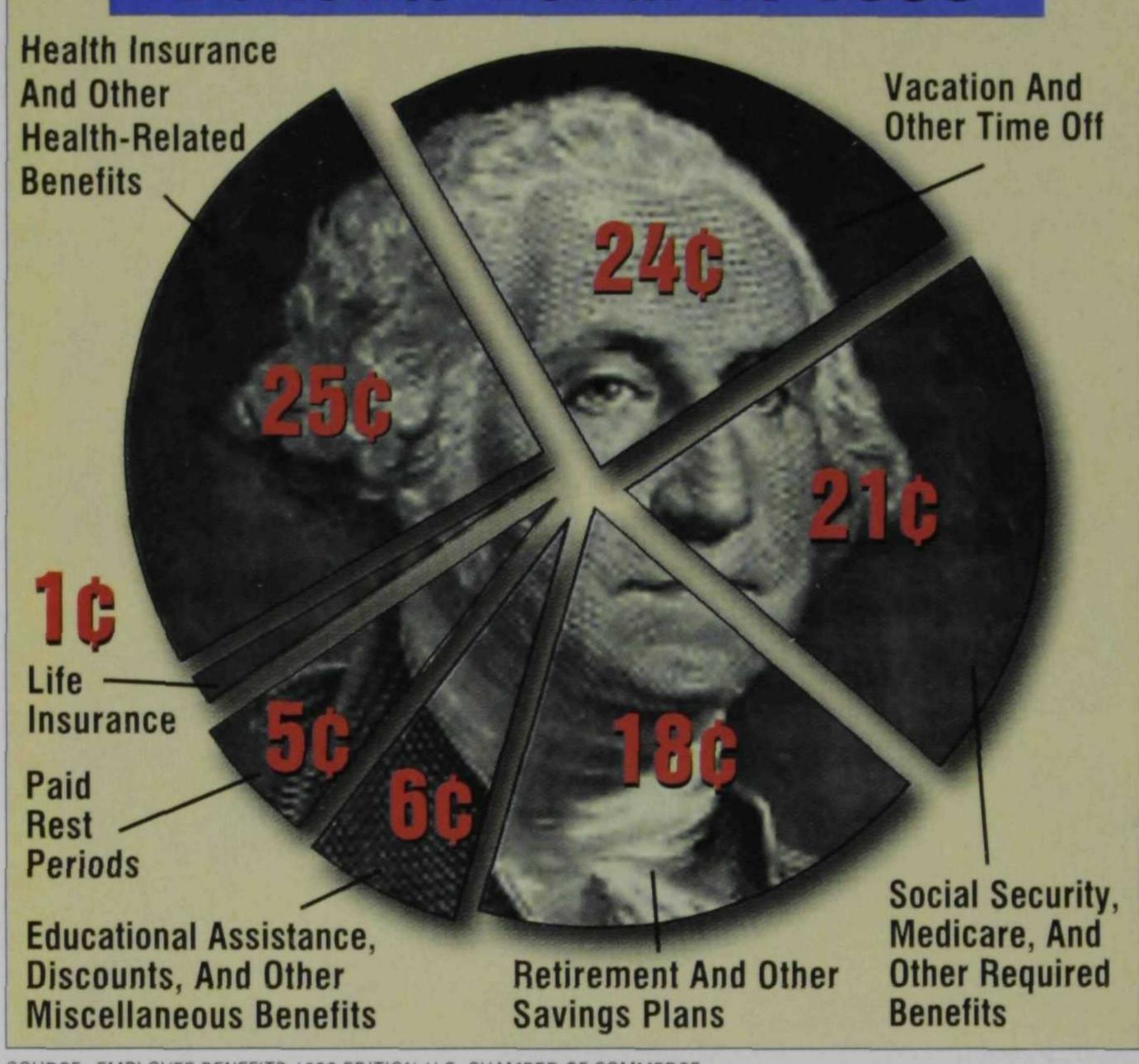
The cost of medical insurance for active employees fell to \$2,486 in 1995, compared with \$2,579 the year before. The decline was a result of savings derived from managed-care programs and from the fact that employees paid a greater share of total premiums. Nonetheless, payments for medical insurance and all other health-related benefits still made up the largest portion of total benefit costs. (See the accompanying chart.)

But for companies involved in restructuring, benefit costs increased significantly in three areas: severance pay, retiree health insurance, and retiree pension plans.

The Chamber's survey also found that benefit costs dropped for small and midsize firms but rose for large companies. For companies with fewer than 100 workers, benefits as a percentage of payroll totaled 32.8 percent, down 1.7 percentage points from the year before. For firms with 100 to 500 workers, benefit costs dropped to 36.9 percent of payroll from 39.2 percent.

Companies with 2,500 to 5,000 workers reported a rise in benefit costs, to 43.1 percent of payroll from 41.1 percent

## How Business Spent Its Benefits Dollar In 1995



DURCE: EMPLOYEE BENEFITS 1996 EDITION, U.S. CHAMBER OF COMMERCE

Among the four regions used in the survey, employers in the Northeast paid the highest percentage of payroll for benefit costs, at 43.1 percent. Employers in the East North Central states (Illinois, Indiana, Michigan, Ohio, and Wisconsin) paid the lowest percentage of payroll, 40.3 percent. Employers in the Southeast paid

41.5 percent of payroll; those in the West paid 42.1 percent.

Benefits 1996 Edition is available for \$35. Also available, for \$95, is the Employee Benefits Analyzer, software that enables companies to compare their benefits with those of other firms in the same industry, region, and size category.

A second software program, BeneTrax, lets employers generate statements that clearly show employees the value of their company-paid benefits. The program costs \$95 for firms with 25 or fewer employees; the cost is higher for larger companies.

The printed survey and the Employee Benefits Analyzer may be purchased together for \$115. The survey, analyzer,

and BeneTrax may be purchased together for \$179 by firms with 25 or fewer employees; the cost is higher for larger companies. To place an order or to find out the costs for companies with more than 25 employees, call 1-800-638-6582 between 9:30 a.m. and 4:30 p.m. Eastern time. In Maryland, call 1-800-352-1450.

—Roger Thompson

#### LEGISLATION

#### 'Corrections Day' Measures Show Bipartisan Appeal

The end-of-session deluge of legislation on Capitol Hill brought with it the passage of a number of "Corrections Day" measures, which are aimed at fixing unworkable or unnecessary laws or regulations.

In 1995 and 1996, President Clinton signed 20 Corrections Day bills and vetoed one. Many of the 1996 measures were passed in the final months of the session: As of June 1, only eight of the 20 had been signed into law.

One signed bill eases requirements under metric conversion laws to allow the use of actual figures, not just round numbers (such as 3,123 centimeters instead of 3,000 centimeters), in determining the metric measurement of supplies used in the construction of federal buildings.

The bill's sponsor, Rep. Christopher Cox, R-Calif., said the old rule added 15 to 20 percent to the costs of projects by requiring manufacturers to produce materials and supplies in new dimensions and shapes.

Another signed bill, sponsored by Rep. Howard McKeon, R-Calif., strikes down an Environmental Protection Agency rule that required preapproval by the agency of state and local traffic-light-synchronization projects.

Under the new measure, the projects can be put into effect without such preapproval, and their impact will be measured as part of overall air-pollution monitoring.

House Speaker Newt Gingrich set up Corrections Day in 1995; in a Congress marked by partisan divisions, Corrections Day demonstrated that lawmakers could agree on bills to correct obvious problems.

—James Worsham



# Managing Your Small Business

Creating a better place to work; giving up miles so others can fly; letting go but staying close.

By Roberta Maynard

#### MOTIVATION

# Fishing For Creative Ways To Make Workers Happy?

Money isn't the only thing that improves workers' morale. Funky fish wallpaper can work wonders, too. At least it did for Mike Mondello, the new CEO of SeaBear Specialty Seafoods, in Anacortes, Wash.

When Mondello first visited the 53-employee company just before coming on board this past summer, he says, he noticed that the telephone representatives—the only employees in direct contact with customers—worked in a setting that didn't foster worker morale or customer service. He found them crowded into a stark, open area where they were subject to interruptions from other workers and to distracting noises from nearby activities.

At the time, it wasn't possible to increase the phone reps' pay, but Mondello had another idea on how the company could make the employees feel appreciated. He asked them to come up with ways to improve their work area.

He laid down the ground rules:
Suggested changes had to reflect the character of the company and its products, and the changes could not result in a sterile environment. Oh ... and there was no

budget for redecorating.

"I almost thought I wouldn't hear back from them," says Mondello. "But they came up with recommendations."

With his approval, the group set to work, getting friends and other companies to donate materials such as carpet, furniture, and what Mondello calls funky fish wallpaper. They bartered SeaBear smoked salmon for construction and other services.

Working on weekends for about a month, the employees created a new work space. It was expanded to 471 square feet from 334 and has a window with a view of the picturesque port of Anacortes.

The workers created a separate lounge to provide a respite from the phones. They also established an area for product manuals and extra space for use during the holiday season, when temporary workers enlarge the six-member department to 21. Near the decorative new fish tank, they put



PHOTO: ©PETER SKINNER

Telephone-sales reps at SeaBear Specialty Seafoods were hooked on an idea from CEO Mike Mondello, bottom right, that they redesign their work area; among the employees are, from left, Michelle Mann, Maria Lenzi, Patty Taylor, Jeanne Gustafson, and Mary Ellen Hage.

up a board to display photos of customers.

"It's the coolest room," says Mondello, who rewarded the reps by buying them a microwave oven. The changes helped

create "a great call center and a highly motivated staff," he says, and "it sent a signal to other workers here that innovation will be rewarded."

#### ETIQUETTE

#### Pointers On Politeness For Holiday Partying

Are you ready for parties and other holiday business functions?

Here are some year-round protocol pointers for hosts as well as guests, offered by Valerie Sokolosky, author of five books on business etiquette. She is president of Valerie and Co., a management consulting firm in Dallas.

■ When hosting a dinner meeting with clients at a restaurant, make prior arrangements with the maitre d' to have your guests escorted to the table as a group. At the table, begin your conversation with the person to your right, your guest of honor.

As a dinner guest, never choose a

seat at the host's right unless invited. If you know ahead of time that you must leave early, take a seat toward the exit.

■ If you are hosting a party for people who don't know one another well, include a conversation cue on each name tag, such as the person's department or job type or perhaps a favorite hobby.

If you wish to offer a toast, subtly request your host's permission, and always wait for the host to offer the first toast.

When leaving the table temporarily, place your napkin on the seat or on an arm of the chair. Putting your napkin on the table signals to the waiter that you are finished eating and ready to leave.

Before attending any large event, plan the contacts you intend to make, and choose several conversational topics. A

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#### ETIQUETTE

reminder: Business cards should not be exchanged at black-tie events.

- If you take a gift when attending a dinner at someone's home, it's best to choose something that the host can put away for later use rather than, say, flowers, which require immediate attention and take the host away from guests.
- If you forget someone's name just before making an introduction, don't let the lapse cause the person the embarrassment of going unintroduced. However awkward, the best thing to do is to apologize, ask the person's name, and make the introduction.
- When your company sends holiday greeting cards to clients, you should sign your name below the company name and write a brief, general note. If you know the client personally, make it a longer note with a personal message.
- If you choose entertaining as a way to generate business, be sure the event is well-planned, with clear objectives and sufficient staff and funding.

#### CHARITABLE DONATIONS

#### Wishes Come True With Frequent-Flier Miles

Looking for a way that your business can make a difference? Consider asking employees to donate their frequent-flier miles to a good cause. To make a greater impact, create a joint effort with other firms.

This year, 30 companies that are members of the Tag and Label Manufacturers Institute have donated more than 500,000 frequent-flier miles on behalf of the trade association. Miles were donated not only by frequent travelers but also by those who fly only a few times a year.

The institute's half-million miles went to the Make-A-Wish Foundation of America, a nonprofit organization that makes wishes come true for children and youths ages  $2^{1/2}$  to 18 who have life-threatening illnesses. Nearly 70 percent of the children's wishes involve travel.

This year more than 2,300 tickets were contributed to Make-A-Wish chapters through frequent-flier mileage-donation pro-

grams with American Airlines, Delta Air Lines, and Northwest Airlines. Recently, British Airways and United Airlines began participating.

Each airline has its own procedure for the donation of miles. For example, miles on American and Delta can be designated via the monthly award statements that go to frequent-flier program participants. But donations of Northwest miles must be arranged through the designated charity's national office.

To check on an airline's procedure for donation of miles to Make-A-Wish, call the airline's frequent-flier program, your local Make-A-Wish chapter, or the foundation's national office in Phoenix at 1-800-722-9474.

You also can ask the airlines about other charities to which miles can be donated. Some airlines make partial matches of miles donated by businesses.

The value of donated airline miles is rarely tax-deductible as a charitable contribution, but donors should consult tax attorneys for guidance on the matter.

#### ENTERPRISE

#### A Novel Way To Hold On To Departing Workers

Like many executives, Myron L. "Mike" Watts Sr. expects that some of his best employees will someday leave to start their own businesses. Unlike many of his peers, however, Watts encourages such employees and even helps finance their entrepreneurial efforts.

Watts and his sons operate Astro Model Development, Inc., in Eastlake, Ohio. The 20-year-old family firm specializes in high-tech prototyping, engineering design, and general machining.

Watts, the firm's president, developed his employee approach 10 years ago, when two valued employees left. Watts crafted an arrangement with them in which each would have 20 percent ownership of a new company that the two would run, with Astro owning the remaining 60 percent.

Watts has since helped create eight such firms, though he hasn't stayed tied to them all. Astro now has four sister companies, all started by former employees. Together, the Astro companies have revenues of \$32 million and 300 employees. Astro provides accounting and payroll functions for the start-ups and, at least in the beginning, sends them the bulk of their new work.

The businesses, focused on finding the best way to get each customer's job done, recommend and rely upon one another. Complementary skills and services are the key. One company specializes in fiberglass and plastics. One does what's called high-run production, another does low-run. One produces small, welded components, another turns out large ones.

There is some overlap among the serv-

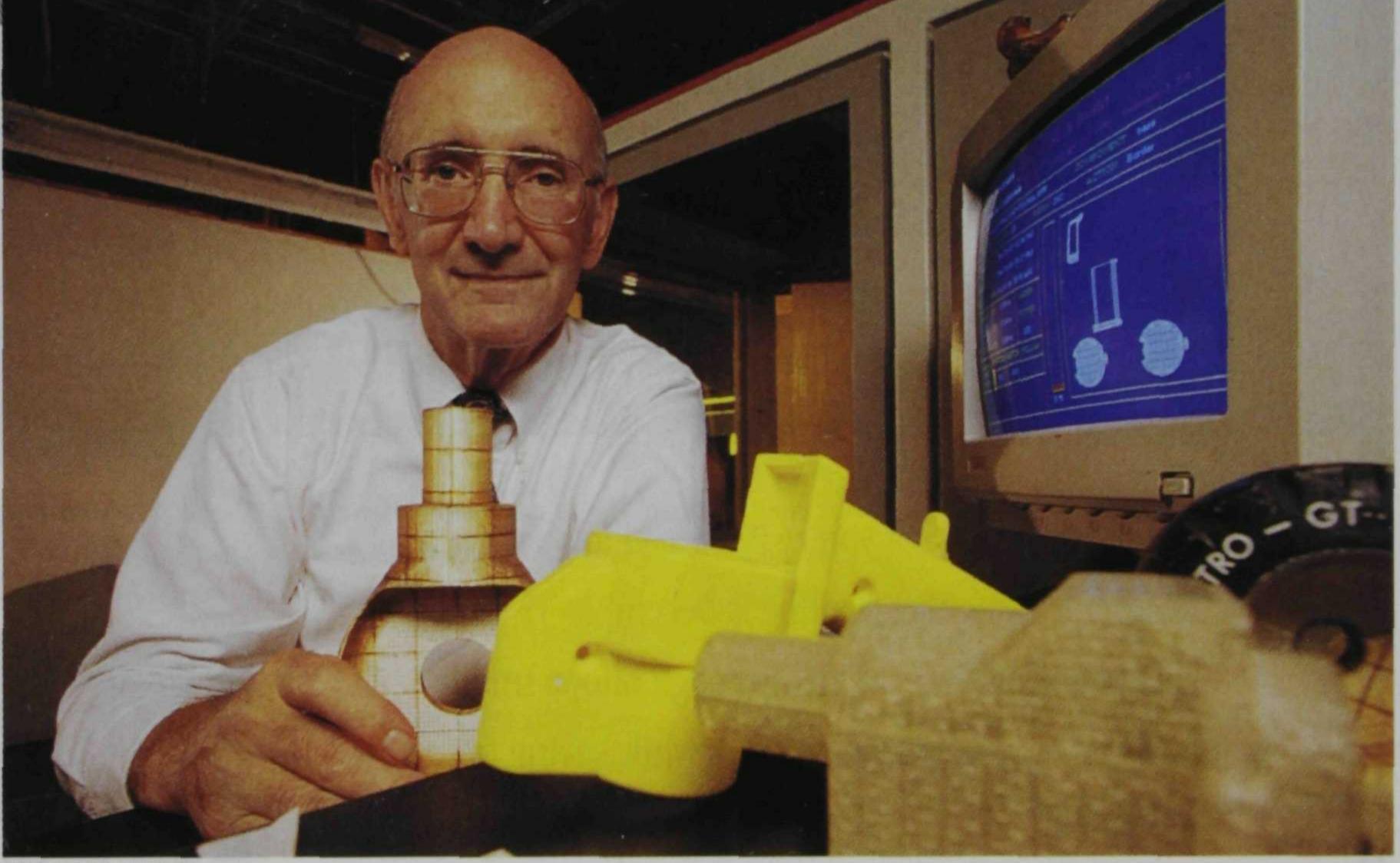


PHOTO: ©BRUCE ZAKE

Helping employees spin off their own companies is the way Myron "Mike" Watts Sr. of Astro Model Development maintains some control over potential competition.

ices offered by the companies, but Watts isn't concerned that he is encouraging competing businesses. In fact, he says, the arrangement allows him to have some

control over potential competition. "I'd rather have a sister company doing the work than someone else," he says. "There's plenty of work out there for everybody."

#### **NB TIP**

#### Saving Money And Time

As the year ends, it's nice to acknowledge those who have helped your business. One gift that keeps saying thank-you all year is a subscription to a relevant or unusual magazine. Such a gift is also likely to fall within the \$25 limit for tax-deductible business-gift expenses.

This money-saving tip is one of hun-

dreds in *The Frugal Entrepreneur*, by consultant Terri Lonier (Portico Press, \$12.95).

Another suggestion: Write a 60-second blurb about your business to use when you have only a few moments to explain your company to someone—on an elevator, for instance. With practice, you can capture the essence of your firm in a short, coherent sound bite.

Nation's Business December 1996

# Making It

Growing businesses share their experiences in creating and marketing new products and services.

# A 19th-Century Romance

By Minda Zetlin

ive years ago, New York City advertising executive Marvin Davis was overseeing the finishing touches on a country house for himself and his wife on Overlook Mountain, in Woodstock, N.Y., about 100 miles north of the city.

Nearby was a narrow ledge with a spectacular view that he says was "crying out for a gazebo." He knew exactly what kind, too: a rustic, unfinished cedar structure like ones he had seen at the historic Mohonk Mountain House, a Catskills resort in New Paltz, about 20 miles south.

There was only one problem: Davis' house was already way over budget. But Robert O'Leary, a master wood craftsman who was doing the fine-finishing work on

the project, was so taken with the gazebo idea that he offered to build one at a deep discount.

Though he still couldn't really afford it, Davis agreed. It was, he says now, "an inspirational decision." The gazebo drew raves from visitors. Davis knew there were no companies in the area building similar structures. He began to suspect that here were the makings of a small business.

He invited O'Leary to become his partner. "I'll do the marketing," Davis told him. "You don't have to give up your present business. You just have to be available if I get you work." O'Leary agreed, and the pair named the company Romancing the Woods—in part because of the obvious

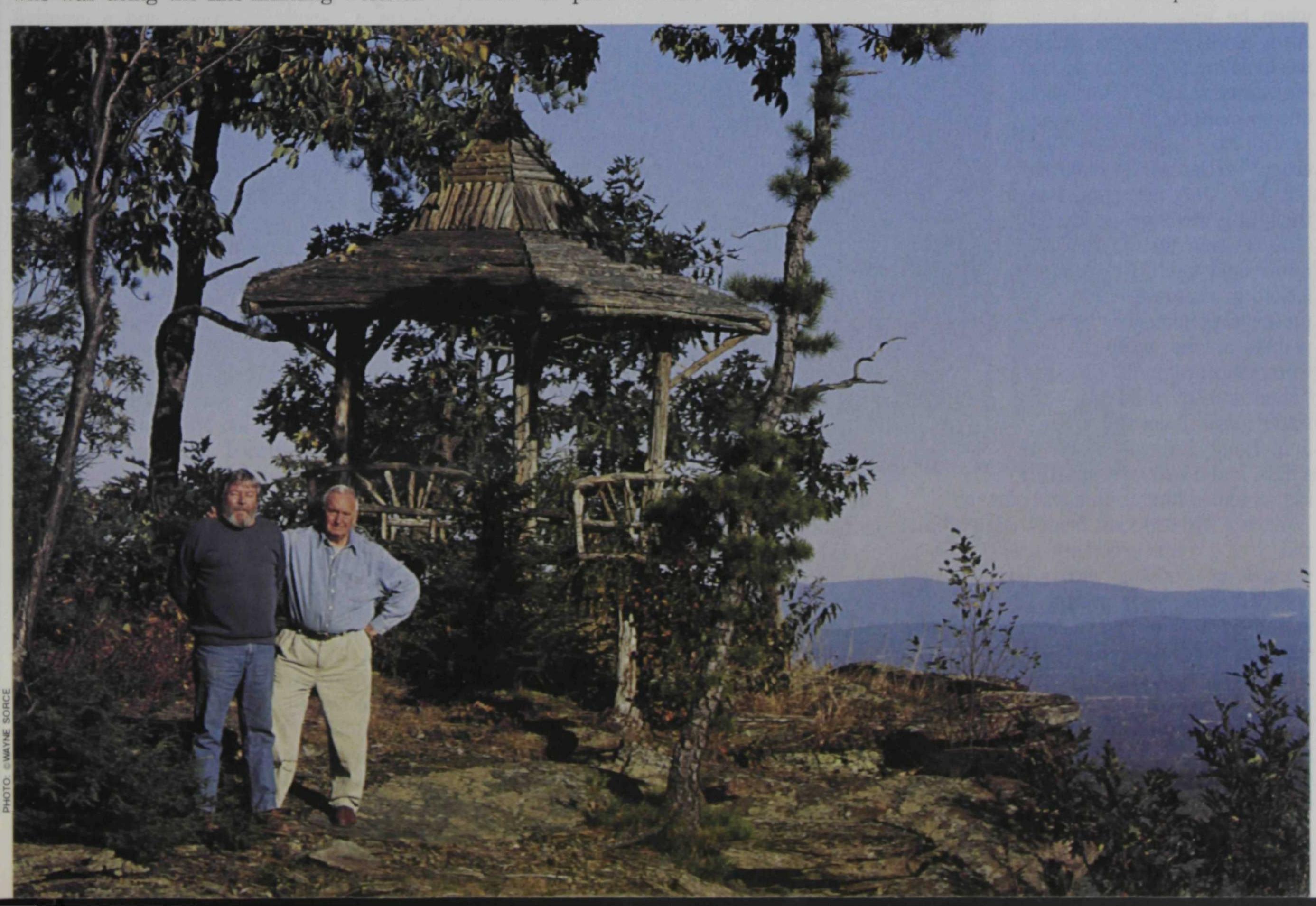
romance of gazebos, and in part to reflect their commitment to not harming forests or removing rare trees.

"There was no business plan, there was no start-up capital, there was nothing," Davis says.

But the company did have some advantages. First, Davis was correct: There was almost no competition. To his knowledge, Romancing the Woods, based in Woodstock, is the only company in the United States devoted to reproducing 19th-century rustic outdoor designs. The company's second big advantage is the huge supply of nearly indestructible Eastern red cedar in the Catskills, where Romancing the Woods is located. Used outdoors, Davis says, "Eastern red will last 30 to 50 years."

Davis' marketing savvy and media con-

This Catskills gazebo built by Robert O'Leary, left, for former ad executive Marvin Davis led them to become business partners.



#### MAKING IT

tacts, acquired during his more than 40 years in advertising, offered another advantage. A casual lunch with a friend from *The New York Times* led to a photo feature in the newspaper's Home section. The story generated about 60 phone calls, many reflecting serious interest.

Through another contact, a Romancing the Woods gazebo was featured in the 1992 Neiman Marcus Christmas catalog, drawing 15 orders at \$5,000 apiece (a typical price for the custom-designed gazebos).

These days, the firm's creations include a huge array of outdoor furnishings, from

benches and chairs to bridges and fences and even a floating "swimming pavilion."

"We've shipped to California and Montana," Davis says. Once they shipped a 3,000-pound "treehouse"—a free-standing, two-story structure, 17 feet high, with a ladder to the upper floor—to Wisconsin. "We've never had a return or a complaint," says Davis.

Romancing the Woods now has a staff of four, including Davis, who gave up his advertising job to run the young company. Sales rose from \$60,000 in 1992 to more than \$170,000 in 1995.

As for how the rustic-wood-structure

business compares to the ad business, Davis says: "This is more fun and less profitable. And it's much more stimulating creatively."

Some of Romancing the Woods' most fulfilling work is not creation but recreation, as when it placed a replica of an old five-sided bench around the trunk of a tree at the Alice Austen Museum, on Staten Island, N.Y.

"We worked from old photographs," Davis says. "That tree bench hadn't been there in a hundred years."

Minda Zetlin is a free-lance writer in Woodstock, N.Y.

# Riding A Fashion Wave

By Cheryl Jarvis

yrle Boldt was a high-school junior in St. Louis when he headed to Orlando, Fla., over spring break to attend water-skiing school. When he

came home wearing the bright beach shorts he had bought on his trip, his friends all had the same question: "Where can I get a pair of those?"

Boldt headed back to Florida in December; this time, he checked out all the surf shops when he wasn't water-skiing. At a family gathering a few weeks later, he announced that he wanted to open a surf shop, one specializing in beachwear.

"In St. Louis? Are you crazy?" exclaimed his older sister, Joni. Only his mom, Joan, thought it was a good idea.

Kyrle was just 17 and had never held a job. But what he lacked in experience, he made up for in persistence. "I called people in the industry, who were encouraging," he says. "Then I kept talking to my sister until I convinced her." Joni Boldt Ridgway, then 24, single, and a college marketing

With a \$10,000 loan from their parents, the young entrepreneurs leased a 600-square-foot building with affordable rent and heavy drive-by traffic. They filled it with used fixtures and cash registers and a cargo of beachwear they ordered from a trade show in California. Boldt created a flier, which a friend printed gratis and other

major, joined him as an equal partner.

county. Then the siblings panicked: Will anyone actually shop here?

They needn't have worried. Word of mouth brought a tidal wave of teenagers



PHOTO: @MARK KATZMAN

Beachwear retailers Joni Boldt Ridgway and Kyrle Boldt created a Splash—actually, five Splashes—in St. Louis.

to their shop, Splash. The craze for jams—wildly patterned, drawstring Hawaiian shorts—had hit, and Splash was the only store in town selling them.

Splash made money from Day One. Six weeks after its opening, the owners repaid their parents in full. By August, however, they had a problem: No one came to a surf

shop for back-to-school clothes. "We knew we couldn't be just a seasonal shop," says Ridgway.

The brother-sister team scouted new clothing lines for fall and winter and expanded their offerings with funky accessories and recreational equipment. Boldt stocked Splash with skateboards just as skateboarding exploded. The two attend seven trade shows a year, and today Splash

sells everything from 70 kinds of snowboards to fluorescent bikinis and lime-green nail polish.

Ridgway attributes the phenomenal growth of Splash—five stores in St. Louis, 35 employees, and a doubling of revenues in the past three years—to an intuitive sense of trends and a creative approach to retailing.

The first Splash had a raised dressing-room floor that was a plexiglass aquarium, stocked with live fish. A tie-dyed Volks-wagen Beetle is parked at the entrance of their newest shop. "I want kids to feel a sense of excitement when they walk into our stores," says Ridgway, 35.

Their marketing has been equally creative. When Boldt, 28, started selling skateboards, he brought skateboard pros to St. Louis for demonstrations in the parking lot. He also sponsored a skateboard team and for four summers operated a skateboard

park in a St. Louis suburb.

Joan Boldt, who started out running the store when her kids were in school, now manages the original Splash. The family patriarch, Bud, a brick supplier, offers advice and help when asked.

The young retailers may open yet another store. At the outset, "a lot of people said we were just a fad and wouldn't last," says Boldt. "Eleven years of a strong business have proved them wrong. But we can't ease up. We constantly have to stay on top of what's happening."

Cheryl Jarvis is a free-lance writer in St. Louis.

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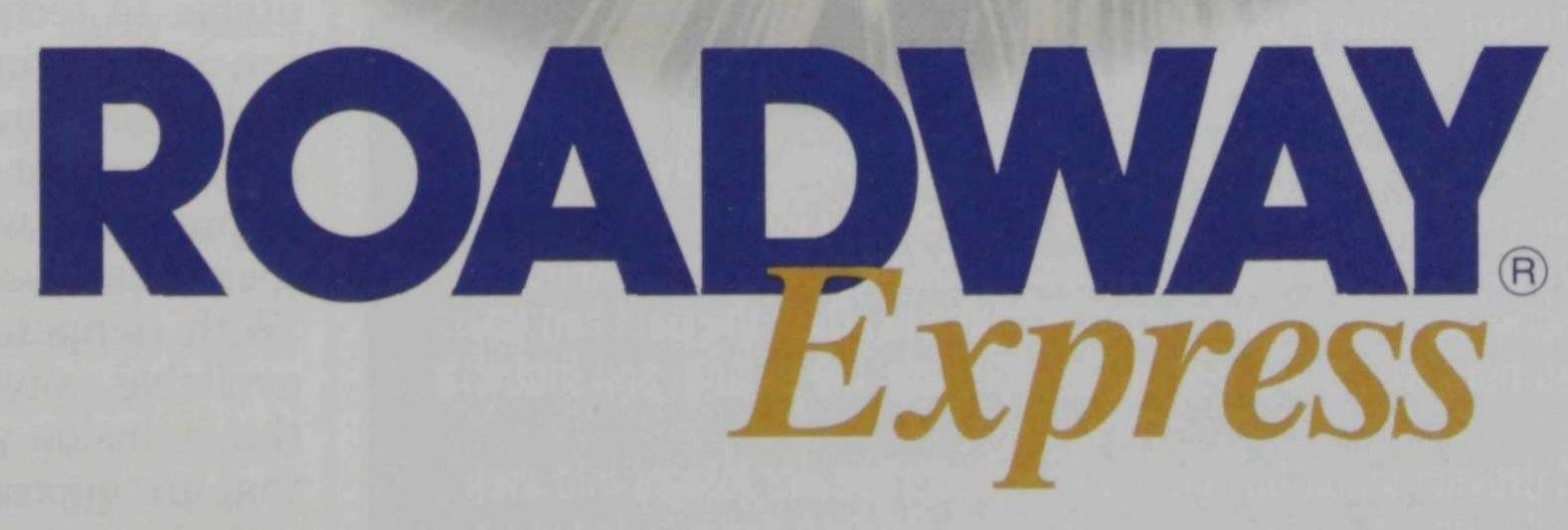
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**COVER STORY** 

# The Future Is Now

By Tim McCollum



#### SCOTT COOK

Pioneer in personal-finance software and on-line banking.
Chairman, Intuit Inc., Menlo Park, Calif.
Age 44; M.B.A., Harvard University

Look co-founded Intuit in 1983 to develop financial-management software. Today the company's flagship personal-finance software, Quicken, is used in 12 million homes and small businesses. Intuit also publishes popular software for financial planning, personal and business income-tax preparation, and accounting in complex small businesses. Over the past two years, Intuit has begun providing consumers with access to on-line banking, bill paying, and financial-information services.

Cook says technology should provide small-business owners with greater insight into their companies' operations and should reduce drudgery work to allow entrepreneurs to focus on attracting and serving customers.

s Scott Cook sees it, the benefits that small-business owners can derive from putting technology to work are straightforward and unmistakable. Technology, he says, can free entrepreneurs from the more mundane tasks in running their businesses, giving them more time to focus on making sales and providing service.

Take the critical chore of bookkeeping, for example. It's a task in which Cook has become well-versed as co-founder and chairman of Intuit Inc., a leading publisher of financial-software programs, based in Menlo Park, Calif.

Cook estimates that entrepreneurs who still keep their books by hand typically struggle about 20 hours a month to reconcile incoming revenue with outgoing payments amid a pile of receipts, purchase orders, and bills. Or they pay dearly for accountants to serve as bookkeepers.

Contrast them, he says, with the small-business owners who have switched to computerized financial systems based on any of several software programs that streamline the accounting function by making the mechanics of the task invisible to the program users.

"There's just a huge change in the speed with which they can get that work done and the time they can spend on [growing] their business," says Cook. Moreover, these entrepreneurs can use their accountants for their expert advice rather than for run-of-the-mill preparation of financial statements.

Cook says the productivity gains attributable to technology, though impressive, are just beginning. Emerging computer and telecommunications technologies will soon form the window through which entrepreneurs will see and interact with their businesses and the outside world. "With computers, everything is instantly available, alive," he says. "You can see things inside your business electronically that are impossible to see on paper."

Cook's company is one of many telecommunications and computer hardware and software providers creating systems to enThe marriage of computing and telecommunications technology is beginning to reshape the way small businesses operate, but the most important changes are yet to come.



able virtually any business to contact customers, suppliers, and financial and business information services by computer simply and routinely.

What's more, making such contacts, shopping for services, and sending and receiving payments through personal computers will someday be as easy for businesses as working with word-processing and spreadsheet programs is today.

hat's a big change—and a sudden one. The first personal computers came on the market only in the early 1980s, and incorporating them into company operations has been slow, expensive, and often painful for many small-business owners.

Computers are relatively complicated to set up and maintain, and software can be difficult to learn and use. Yet the once-constant ringing of typewriter carriage returns has fallen silent in most American companies, replaced by light tapping on keyboards. Many workplace tasks once performed with pens, pencils, and paper are now done on personal computers. And all of this transformation has occurred within about 15 years.

Today, computing and telecommunications are converging, rapidly expanding the capabilities of both computers and telephones. The changes produced by this convergence are much more significant and are expected to come about much faster than the shift from typewriters to computers in the workplace.

High-speed telecommunications networks are being deployed to carry voice, video, and computer data worldwide at the speed of light. And even though these networks are not yet fully in place, software companies and financial institutions are creating the electronic means by which companies can safely buy and sell products and services anywhere at any time.

The focal point for this change is the personal computer itself. The PC has come a long way since IBM introduced the first one in 1981. That computer came with a chip that operated at a mere 4 megahertz,



## ESTHER DYSON

Producer of technology conferences and publications; venture capitalist.

President, EDventure Holdings, New York City

Age 45; B.A. in economics, Harvard University

Dyson has established a widespread reputation for her keen observations on computer-industry developments and trends. Her annual PC Forum conferences attract the top names in the fields of computer hardware and software, telecommunications, and technology services. Dyson also publishes a monthly newsletter, *Release 1.0*.

In recent years she has provided venture capital and advice to high-tech start-up companies in Eastern Europe and Russia. She is chairwoman of the Electronic Frontier Foundation, a nonprofit organization that promotes free speech for the Internet.

Dyson believes the Internet will enhance small companies' ability to serve domestic customers and compete for business globally.

PHOTO: OWAYNE SORCE

compared with the 200-Mhz chips that are widely available in today's PCs. It had a working memory of 16 kilobytes; today's PCs have 16 or 32 megabytes, or 1,000 to 2,000 times the memory of the earliest models.

The 1981 computer had two drives for floppy diskettes, each capable of storing 160 kilobytes of files or programs. There was no fixed disk drive for mass storage. Today, the standard business PC comes with a floppy drive that accommodates removable diskettes with a 1.44-megabyte capacity, more than four times the capacity of the twin drives of the old PC. It also has a fixed hard disk with a capacity of 2 gigabytes or more, enough room to store the contents of 12,500 160-kilobyte floppy disks.

Gordon Moore, founder and chairman of Intel Corp., the Santa Clara, Calif., company that provided IBM with the microprocessor—the "brains"—for its first PCs and that still dominates that industry, has observed that chips historically have doubled in speed about every 18 months, yet their cost has remained about the same.

Today's standard PC can process information faster than the room-size mainframe computers of the early 1980s, yet today's PC, like state-of-the-art models of years past, costs only \$2,000 to \$3,000. That may be a big expenditure for a small company, but the capabilities that such a machine can add to a small firm are impressive by virtually any business standards.

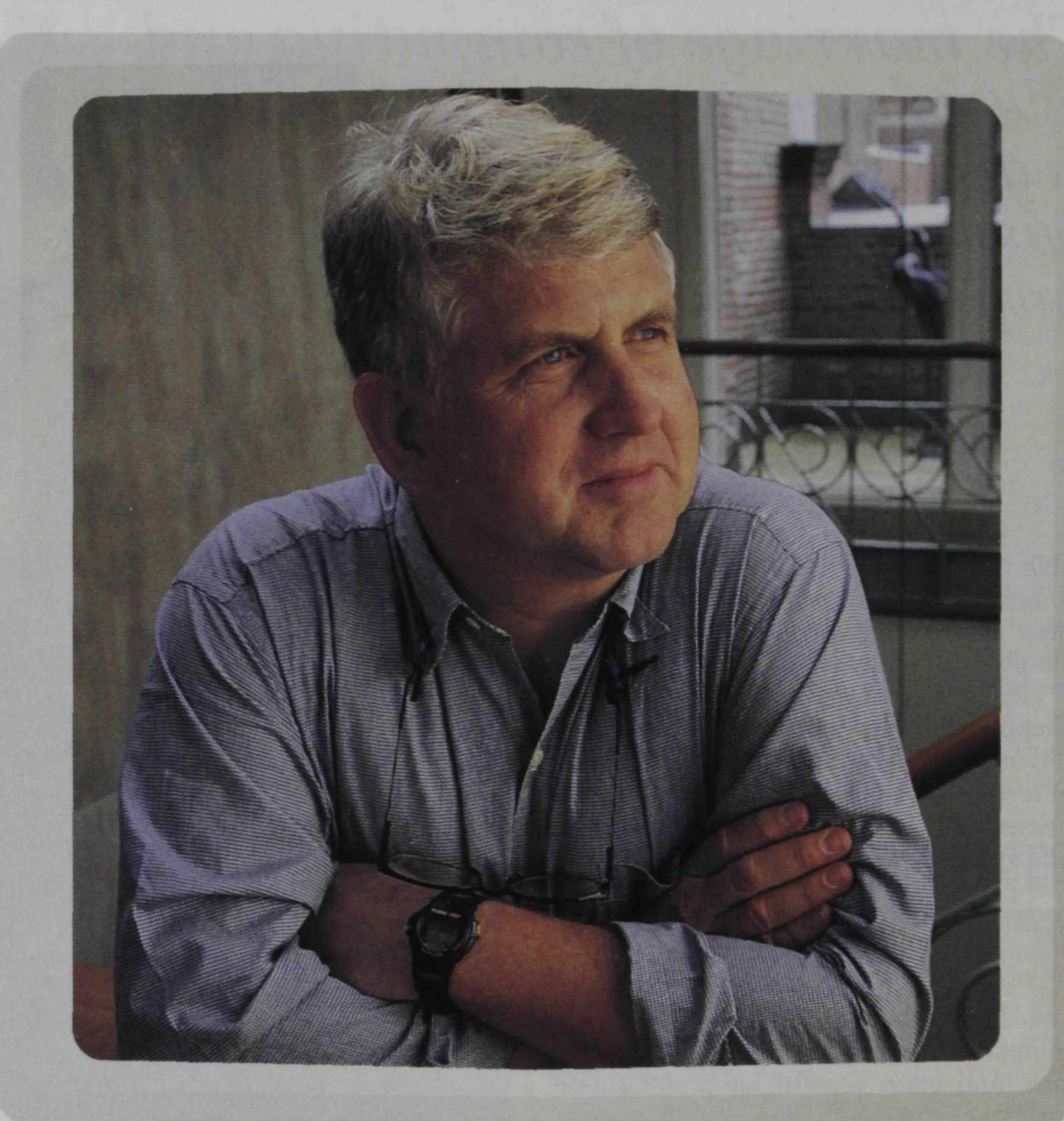
#### The Race To Keep Up

Computers have had to grow in power just to keep up with the increasing demands made on them by software, which continues to become more complex and featureladen.

"There's always this little arms war" between hardware and software makers, observes Esther Dyson, president of EDventure Holdings, a New York Citybased technology-information and venture-capital firm. "We'll never get to the point where you say, 'I've got too much memory." Software and hardware will continue to "kind of grow side by side."

Dyson has been following the computer industry over the past two decades through her newsletter, *Release 1.0*, and her annual PC Forum conferences, where technology leaders gather to discuss industry issues. She predicts that computers used in the coming decade by small firms will be far more powerful than today's. They will have to be, she says, because they will be asked to do much more.

Echoing the sentiments of Intuit's Cook, Dyson notes that computers are well on their way to becoming powerful communications devices. Even now, she notes, most personal computers are sold with a



## ROBERT METCALFE

Widely considered the father of computer networking.

Vice president of technology, International Data Group, Boston

Age 50; Ph.D. in computer science, Harvard University

In 1973, Metcalfe invented Ethernet, a communications protocol that enables the users of computers that are linked by cable to communicate and share files. Six years later he founded 3Com Corp. to provide Ethernet-based products to businesses.

He is the former publisher of *InfoWorld*, a weekly tabloid newsmagazine for the computer industry, and he continues to provide the publication with a monthly column on technology developments and issues. Earlier this year he received the Medal of Honor from the Institute of Electrical and Electronic Engineers.

Metcalfe says networks will allow small businesses to embrace a developing breed of computers that are less expensive and easier to set up and use than current PCs.

PHOTO: ©RICHARD HOWARD

modem, which allows data to be transmitted from one location to another over telephone lines.

By the end of this century, says Dyson, most computers will be connected to telecommunications networks full time. Such full-time connections will enable small businesses to have a constant, ongoing electronic interaction with customers and suppliers.

At that point, computers will have to be significantly smarter and more powerful to manage companies' interactions with the outside world effectively and to process efficiently the huge, increasingly common,

network-based multimedia files that combine text, graphics, sound, and video.

#### Enter The "Network Computer"

Computers not only will become more powerful but also will take on new forms. Except for the introduction of notebook computers—so named because they resemble everyday loose-leaf notebooks—the PC has remained virtually unchanged in appearance since its inception.

Last year, Lawrence Ellison, CEO of software maker Oracle Corp., in Redwood Shores, Calif., became the first to promote the idea of a new kind of personal com-

puter, dubbed the "network computer."

Rather than accessing software programs and documents stored on fixed hard disks on their desktop PCs, users of network computers would work by downloading programs stored on computers called servers. These servers would be attached to a company's in-house computer network or to the Internet, the quickly evolving international network of computer systems.

Unlike PCs, network computers—early models are just beginning to come on the market—have no hard-disk or floppy-disk drives for storing data and programs. Instead, they simply contain a central

processor and enough memory to store temporarily and run the programs downloaded from a server at the user's direction.

#### Cheaper, Easier To Use

A network computer, as defined by Ellison and explained by Robert Metcalfe, vice president of technology at Boston-based International Data Group, a technology publishing and research organization, is dependent on and draws all of its content from the network. It won't work if it isn't connected to the network.

On the other hand, a traditional PC works re-

gardless of whether it is connected via a cable or wirelessly to a network. By being on a network, a PC gets the added benefit of being able to call up and share files and data stored on the network.

Because a network computer will have fewer components, it will cost as little as \$500—much less than a typical desktop PC. Network computers are also expected to be much easier to use and maintain than conventional PCs, according to Ellison, whose company makes powerful database software that runs on network servers.

Although network computers will vary in design, they will generally be more compact than desktop PCs but different from notebook computers. (See "Tomorrow's Technology Today," on Page 23, for details on some of the forerunners of network computers that began coming on the market this year.)

This type of computer concept has merit, according to respected industry observers such as Metcalfe. He is, among other things, a columnist for the computer-industry trade magazine *InfoWorld*. He invented the Ethernet networking protocol and founded networking company 3Com Corp. in Santa Clara, Calif., before joining IDG.

"The emergence of the network computer is inevitable," he says, adding that today's "PCs are too difficult to use, too expensive, and they're peaking in capability." Metcalfe says network computers are better positioned than PCs to help firms take advantage of the capabilities that a global network like the Internet can deliver.

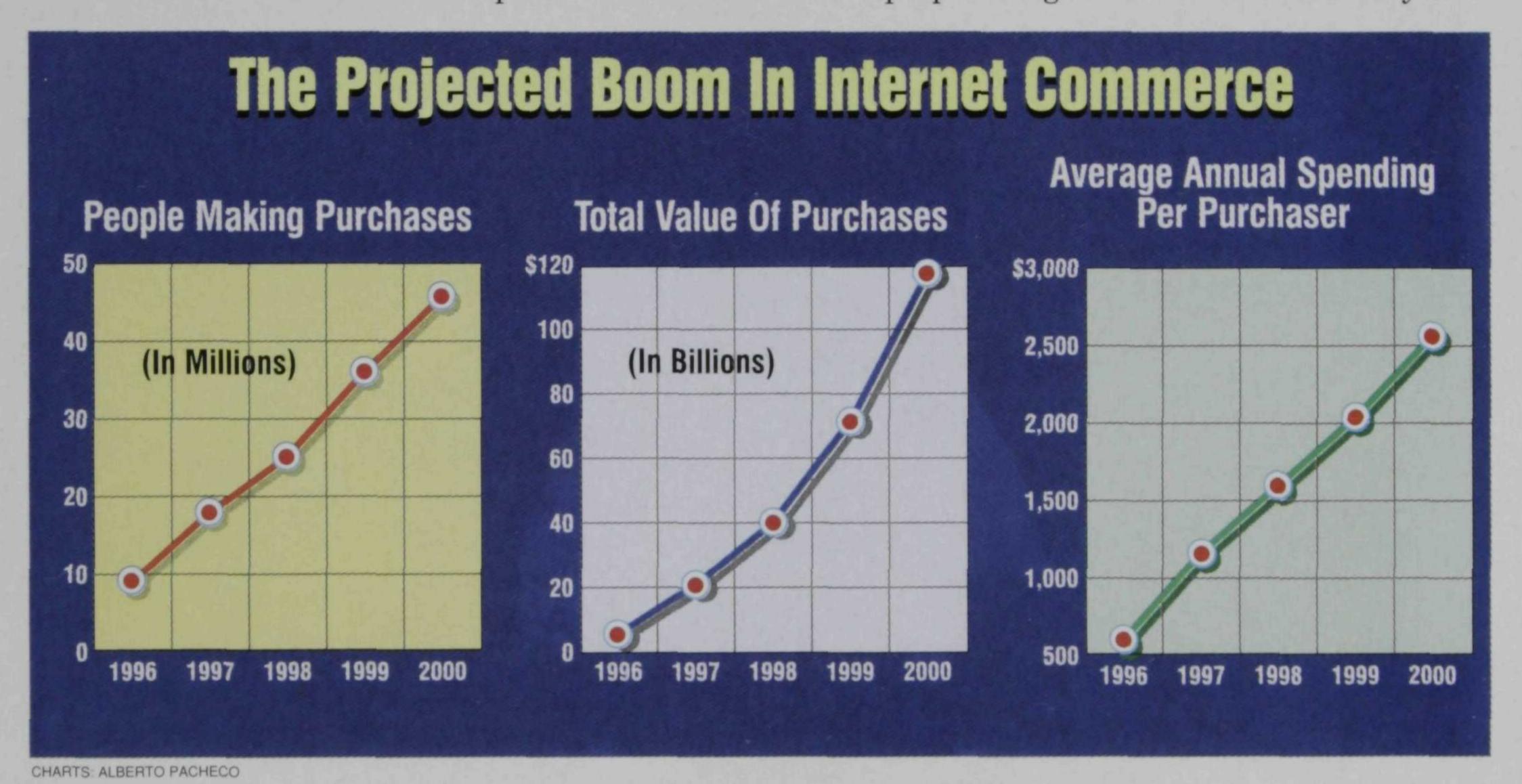
The network computer also could increase the importance of a company's inhouse computer network. Most companies that have linked their computers with inhouse networks have discovered the benefits, such as sharing files and resources. The network computer would shift most of

include order processing, inventory tracking, and cash-register operations.

Not everyone is enthusiastic about network computers, however. For example, Intel and Microsoft Corp., the dominant computer hardware and software producers, have expressed doubts.

According to Robert Bach, vice president for marketing in Microsoft's Desktop Applications Division, in Redmond, Wash., a \$500 network computer probably won't offer the capabilities that PC users have come to expect from their machines.

"I think the actual functionality that people will get will be lower than they ex-



the computing resources to the network and away from the computer.

#### The Benefits For Business

What would the development of the network computer mean for small companies?

Metcalfe cites a 1996 study by The Gartner Group, a technology research firm in Stamford, Conn. It found that the average personal computer used in a business setting costs \$40,000 over five years for hardware and software acquisition and maintenance and for user training.

The simplified design of a network computer would mean fewer hardware repairs, and business people wouldn't have to configure and manage their own software. The software could be managed on the server end by a company's in-house technician or consultant for the local network or by the operators of Internet servers that the company would access remotely.

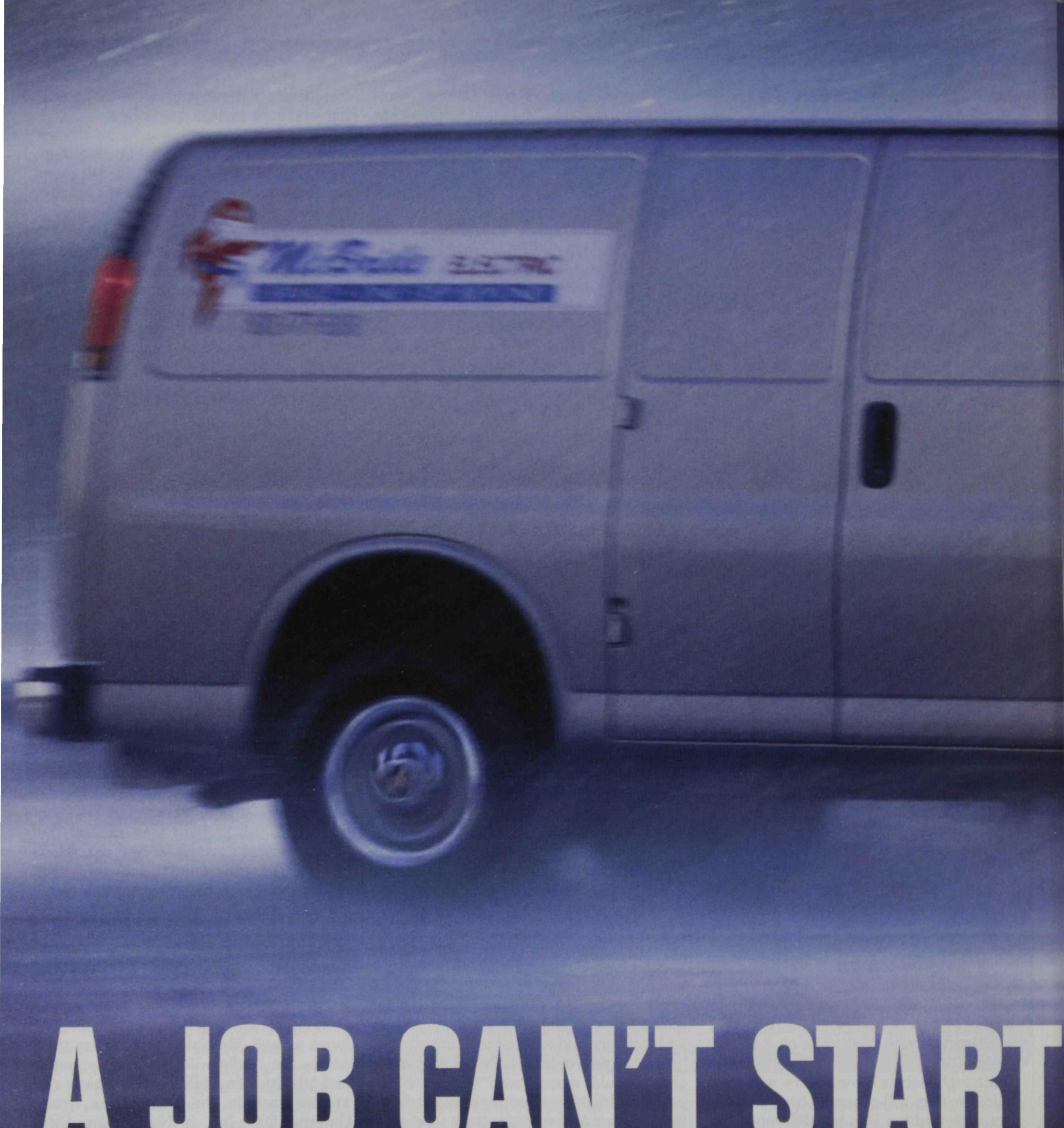
Metcalfe is among those who believe that network computers won't replace personal computers altogether in small businesses. Rather, he believes they will be used for operations in which employees don't need the full capabilities of traditional PCs. Examples of such operations pect," Bach says. Referring to network computers yet to reach the market, he adds: "When you sit down and ask, 'How much is this really going to cost?" then we'll see how many people are going to buy it." He says, though, that network computers at a minimum will force PC manufacturers to cut their prices to remain competitive with these less-expensive devices.

#### Multimedia Hybrids

Computers are emerging in other new forms as well. Multimedia computers that are in the works will combine computer and television capabilities. Some early examples include the Destination, from Gateway 2000 Inc., in North Sioux City, S.D., and the Infinia, from Toshiba America Information Systems, in Irvine, Calif. Others are under development by both television and computer companies.

The hybrid computer-television has great potential in the home for educational and entertainment purposes. It could also be used in business to enable groups of people to view presentations, conduct meetings, and interact with advertising and marketing displays.

These hybrids could be fully functional big-screen PCs similar to the Destination,



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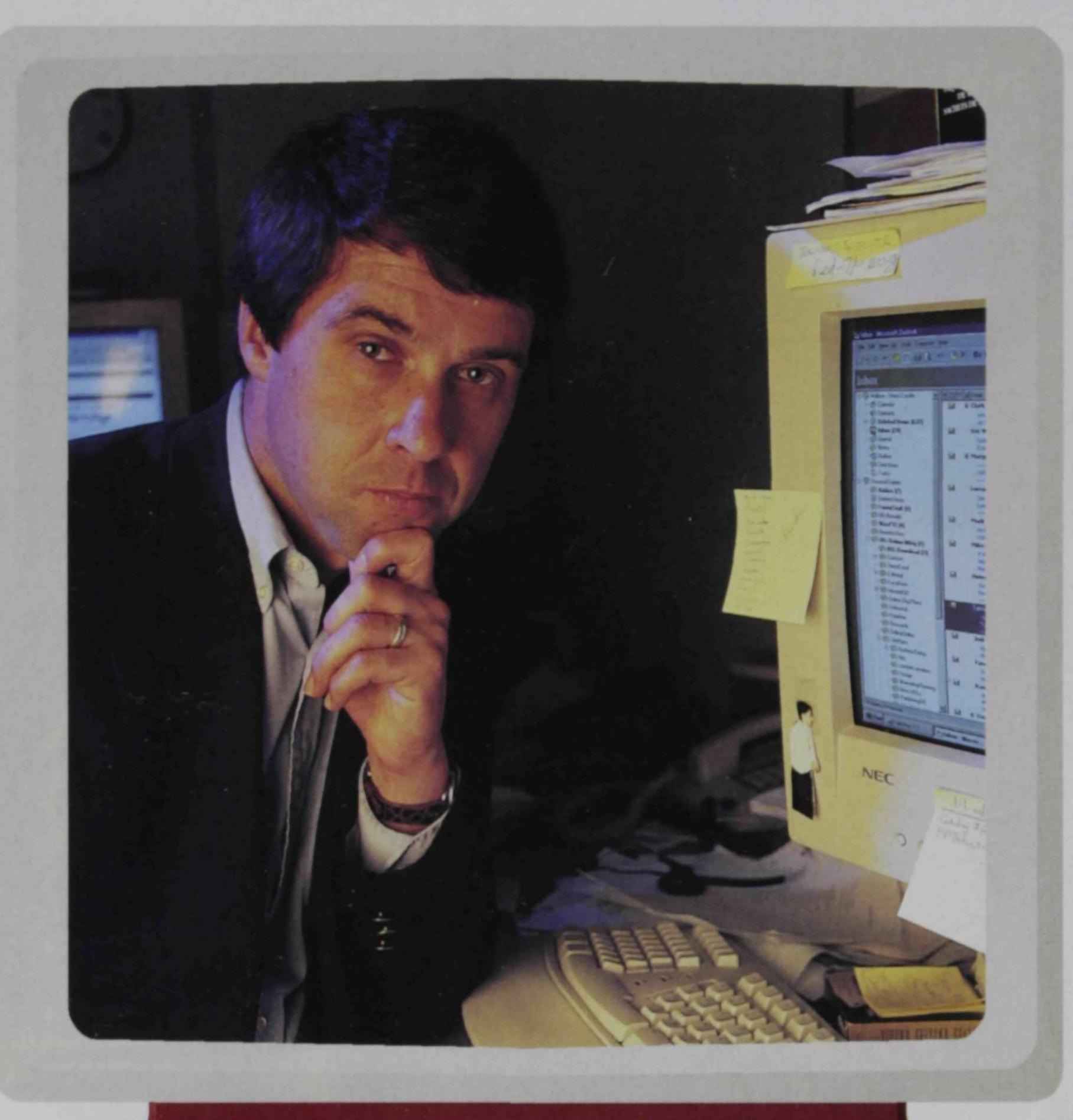
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## ROBERT BACH

Marketing whiz behind the launch of leading business-productivity software.

Marketing vice president, Microsoft Corp., Redmond, Wash.

Age 35; M.B.A., Stanford University

Like many in top management at software behemoth Microsoft, Bach came up through the ranks. He joined the company in 1988—not as a programmer, but as a marketer—and was responsible for the wildly successful launches of Microsoft Office 4.0 and Office 95, the market-leading "suites," or packages, of business-productivity software. Bitten recently by the Internet bug, the company is building Internet compatibility and World Wide Web links into the soon-to-be-released version of its Office 97 software suite.

Bach says this and future programs will make the World Wide Web seem like an extension of the software itself, allowing small businesses to easily convert the documents they create on their PCs into Web sites and to bring Web content into their desktop applications.

PHOTO: ©PAUL SOUDERS

or they could be single-purpose devices such as WebTV, from WebTV Networks Inc., of Palo Alto, Calif. WebTV looks like a cable TV converter and connects to televisions to provide Internet access.

#### Microprocessors Everywhere

Besides emerging in different forms, computers are becoming more pervasive in other devices that small businesses use. "It's a little hard for people to imagine, but because of all these devices that we do have today, we have hundreds of microprocessors in our lives," says Nicholas Negroponte, director of the Media Lab at

the Massachusetts Institute of Technology, in Cambridge. "Your car probably has a couple hundred microprocessors."

Automobiles, cellular phones, microwaves, copiers, even wristwatches contain computer chips, and their use is growing, says Negroponte. They accomplish tasks as sophisticated as managing a car's fuel-injection system and as simple as displaying a message on a copier that the machine is out of paper. People often don't realize this, Negroponte says, because the technology is typically hidden.

Researchers at the Media Lab, an advanced-technology research center funded

mainly by large corporations, are at work trying to make these embedded computer chips more useful for business people and others. Negroponte says the key is to enable them to communicate with devices such as TVs, phones, and pagers and with desktop, notebook, and network computers.

Most of the communication would be straight messaging, with one system sending messages to another. For example, a business person might be able to set up an office security system to alert him at home by telephone if someone breaks into the office.

#### The Telephone Transformed

Of all of today's common communications devices, the telephone will undergo the most significant transformation through a broadening of its communications capabilities, ultimately becoming like a computer.

Currently, the telephone is a "very dumb device," says James Clark, chairman of Netscape Communications Corp., in Mountain View, Calif. Netscape makes Netscape Navigator software, which is widely used for browsing the World Wide Web, the most graphical and user-friendly area on the Internet.

In the future, Clark says, the telephone will have to be a "much more complex terminal, whatever form it takes. It isn't just a PC. It's going to be a TV. It's going to be a personal assistant. It's going to be a wide variety of communications devices."

Clark says he believes these smarter telephone devices that are likely to evolve over the next few years will be connected to traditional PCs or will be used as mobile extensions of PCs. This will allow small-business owners, regardless of where they are, to keep track of their businesses.

well-being of their businesses to computers causes concern for many small-business people. That's not surprising, considering that most entrepreneurs have been vexed for a long time by these sometimes-temperamental machines and their often-maddening software.

Even the experts experience their share of computer-related frustrations. Metcalfe of IDG complains about the hours he's had to spend getting software to run properly on his Apple Macintosh PowerBook portable computer—one of the most user-friendly systems on the market.

MIT's Negroponte calls computers needlessly complicated. Dyson of EDventure Holdings says computers are "exactly as frustrating as you can imagine. When a person is in a bad mood, you can tell, and you can cajole them. But when a computer

# Tomorrow's Technology Today

The building blocks that will make technology more useful for small companies are beginning to appear. Network computers, digital cash, and software that works like a personal assistant may seem like futurist fantasies, but they and other technologies may bring entrepreneurs real benefits soon. Here's a preview:

#### **Network Computers**

The first network computers—low-cost, basic devices that can connect users to computer networks such as the Internet—are arriving on the market. Early models suggest that these machines will come in



a variety of shapes, sizes, and prices.

IBM's Network
Station, due on
the market by
the end of the
year, is intended
for companies in

which a number of users need access to files and programs on central or departmental computers, called servers.

Network Station is expected to cost about \$700.

Another network computer, Winterm, from computer-terminal manufacturer Wyse Technology Inc., in San Jose, Calif., has been available through dealers since June. Winterm allows users to run applications compatible with Microsoft's Windows operating system off a file server and to connect with the Internet by modem. Prices start at \$500.

#### Computer-TV Hybrids

Gateway 2000 Inc., in North Sioux City, S.D., was the first company to produce a computer that doubles as a television. The Gateway 2000 Destination system pairs a high-end, Pentium-processor computer system with a 31-inch monitor that can display television and computer pictures either full-screen or simultaneously in smaller windows on the screen.

A wireless keyboard and a mouse that doubles as a TV remote allow users to interact with the computer from across a room.

A variation on the network computer is WebTV, from WebTV Networks Inc., in Palo Alto, Calif. WebTV is a \$350 device that resembles a TV cable converter—the black box typically on top of a television served by cable.

WebTV connects directly to a television and allows people to browse the Internet by remote control. WebTV does much of what the network computer will do but

without the computer; its appeal is that it makes using the Internet as easy as watching television.

#### **Applets**

So-called applets are very small software programs. The first—and thus far the dominant—computer language for creating them is Java, from Sun Microsystems Inc., in Mountain View, Calif. Java allows companies to create applets that can run on any type of computer. Small companies could use software created in Java that would work on all their computers, or they could use Java to create their own software.

Applets can also be downloaded from networks onto a desktop PC. That means people can use Java programs as they need them, and it opens the possibility of renting software for a single use rather than buying the program.

A small-business person, for example, may want to download a tax program to use one time or for a limited time. The software would become inoperable after that.

Java has quickly been licensed for software applications, operating systems, Internet World Wide Web pages, and other uses by leading software companies, such as Apple Computer Inc., IBM, and even Microsoft Corp., which has a similar technology called ActiveX.

#### **Software Assistants**

A variety of approaches are being taken to make computers more helpful and easier to use. Microsoft has worked a personal-assistant function called The Office Assistant into a group of programs that make up its forthcoming Office 97 suite; the programs will also be sold individually. The assistant is an animated character that users can call onto the screen to obtain help and advice about using the software.

Agents Inc., launched by alumni of the Massachusetts Institute of Technology's



Media Lab, in Cambridge, has developed "intelligent agent" software called Firefly. It allows users of its Web site to receive information auto-

matically about products and services from advertisers based on personal preferences. It can also make suggestions based on characteristics a person might share with others. Firefly is free to users.

Agents Inc. makes its money on licensing and advertising.

Ultimately, agents of this type will work much as a travel agent or insurance agent does today, by going out and shopping for the products and services a person needs at the best prices.

#### **Digital Money**

The Internet is spawning new ways of handling financial transactions on line,



which will affect how small companies buy and sell products and services in cyberspace.

Companies such as Citibank, CyberCash Inc.,

DigiCash, and Mondex have been working to create electronic forms of cash that people could use just as they use paper cash now, mainly for small purchases.

Electronic or digital cash works remarkably like paper cash. When a purchase is made, data representing cash are transferred from an electronic wallet on the purchaser's computer to a wallet on the vendor's. As with cash, so too with digital money: Purchases can be made anonymously without the use of account or credit-card numbers.

#### **Information Access**

Emerging technologies allow computer users to receive customized information instantly. PointCast, from PointCast Inc., in Cupertino, Calif., is a subscription-based service that allows people to download a custom news feed from the World Wide Web on business and financial topics, national and international developments, weather, and sports.

A hardware-based alternative is NewsCatcher, from Global Village Communication, a communications hardware and software company in Sunnyvale, Calif., and AirMedia, a wireless-device manufacturer in Newport Beach, Calif.

This \$149 wireless base station connects to a computer by way of a standard computer serial cable. It receives ongoing news updates and alerts users to messages in their on-line electronic-mail boxes using the PageNet network, a nationwide wireless network that allows people to receive messages on pagers and other wireless devices. The system can be made to run continuously without connection charges.

#### **COVER STORY**

is down, it doesn't usually tell you what's wrong."

But while computer hardware problems are commonplace, they usually are not as frequent—or as maddening—as the problems that crop up while trying to install or run software, the very thing that enables computer and user to interact.

The DOS operating system used in early PCs was time-consuming to master because it required users to type arcane commands to get the computer to perform functions. The advent of the Macintosh and Microsoft Windows operating systems made using computers somewhat more intuitive. The systems accomplish this by enabling the user to point to visual representations of commands and programs using a hand-held device called a mouse.

Still, using computers could be made much easier. The continuing problem with PCs, says Negroponte, is that they don't work the way ordinary people work.

Computers were originally developed for technical users or for situations in which technical experts took care of the required functions for laymen. Computers weren't conceived, Negroponte points out, as fixtures for desktops in businesses and homes. "Nobody anticipated consumer usage to the degree that it's taking place today," he says.

Negroponte says the ideal solution is to develop computer software that can adapt to the habits and needs of each user. Then, he says, the user could interact with a computer as with a person—developing an evolving, ongoing relationship of sorts. Instead of personal computing, there would be personalized computing.

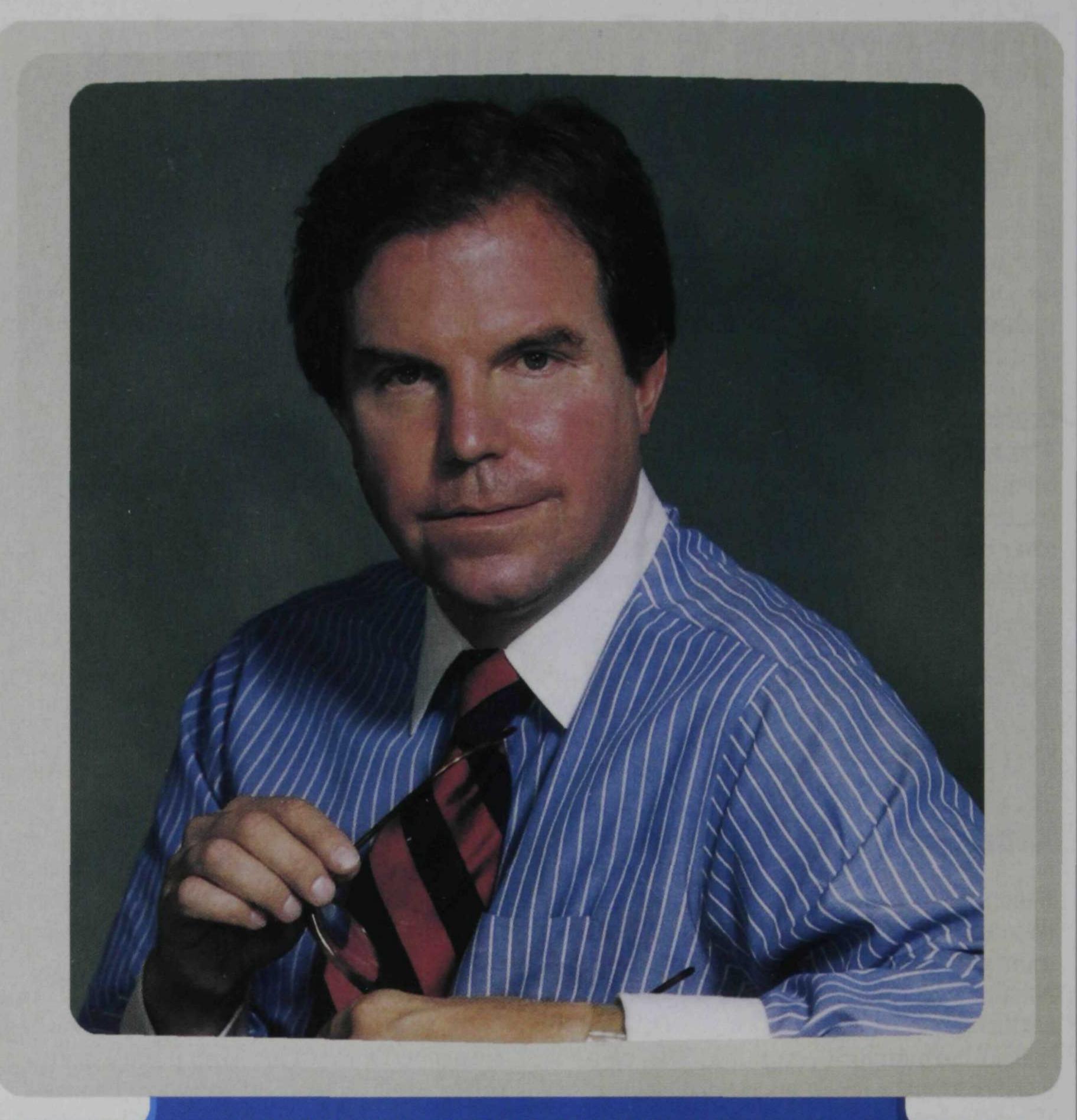
"Imagine a machine that gets better over time—that learns from you," says Negroponte. "That approach is frankly more constructive than what's been done in the past," when users had to adapt to the way the software worked.

#### **Customizable Software**

Such a computer could be even more intuitive if the user could interact with it through voice commands. Indeed, research labs, software publishers, and other technology companies have been trying to develop speech-recognition products for more than a decade, but the results generally have been disappointing.

Systems developed so far require users to spend time "teaching" the software to recognize words and voices, and the systems have trouble recognizing differences in speech patterns, tones of voice, and word contexts. The systems may be passable for basic tasks such as opening programs or copying files, but they don't work well for more-complicated tasks such as locating files or taking dictation.

Despite these persistent shortcomings,



#### NICHOLAS NEGROPONTE

Evangelist for the potential of digital communications to enhance everyday life. Director, Media Lab, Massachusetts Institute of Technology, Cambridge, Mass. Age 53; M.S. in architecture, MIT

Regroponte founded the now-renowned Media Lab at MIT in 1985 to conduct research in areas such as virtual reality, new forms of computerized devices, new uses for multimedia technology, and interaction between people and machines.

In his 1995 book, *Being Digital*, he explained in understandable terms how computer technology is reshaping people's lives and work. He now travels widely, advising companies about the impact of emerging technologies, and he writes a column for *Wired* magazine.

Negroponte believes that personal computers ultimately will become personal assistants that respond to voice commands and will learn the needs and interests of users through ongoing interaction with them.

PHOTO: CLOUIS FABIAN BACHRACH

Negroponte says, it's too soon to give up on voice.

The key is to make the software itself more adaptable to the user so that it recognizes commands, he says. Microsoft is among the companies that agree.

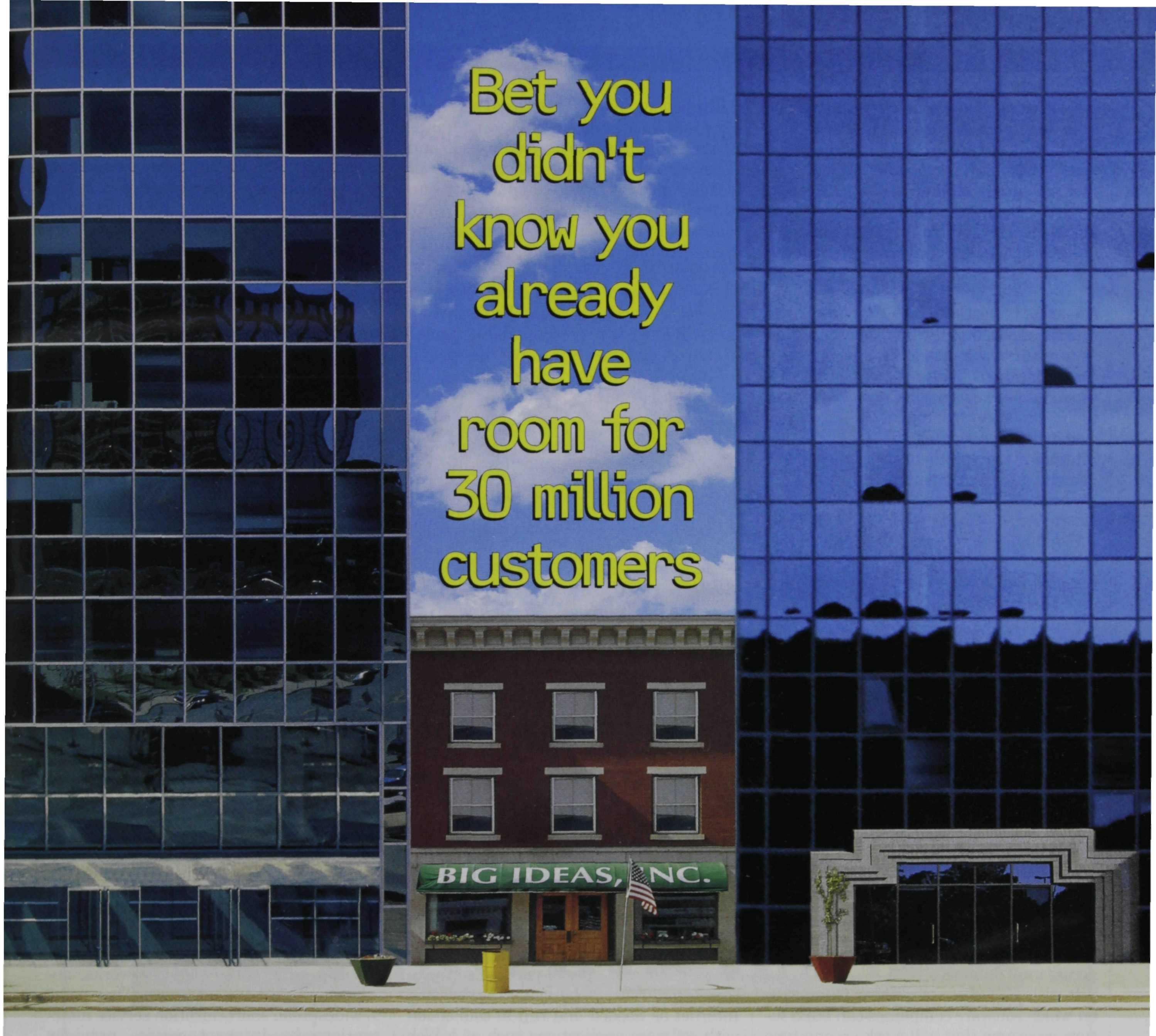
In fact, Microsoft believes it already has taken a major step toward creating such adaptable software for PCs. At the end of this year, Microsoft will begin shipping Office 97, a "suite," or package, of business-productivity software. The company says it combines technologies called "natural language recognition" and the "inference engine" into an animated "assistant" that can

answer questions, offer tips, and provide guidance for completing tasks.

With natural language, Bach says, users type questions in their own words, and the assistant interprets them and provides appropriate responses. The inference engine watches what users do on the computer, anticipates their next command, and offers advice to fit their present needs.

Bach says those are just early steps. Theoretically, it should be possible for software to be fully customized to individual users, Negroponte says.

Intuit also has taken a big step toward adaptability with its QuickBooks account-





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#### **COVER STORY**

ing software. The various versions of this software interview users when they first install the software to determine their business needs and personal preferences. It then configures itself to meet their needs.

"Every business is different," Cook acknowledges. "You can't meet all their needs with some generic, mass-produced software."

A Need For Compatibility

The substance of software also is changing as a result of the increasing importance of communications in business environments. Business people's growing need to connect

their computers to others over networks such as the Internet is driving them to demand greater compatibility between different types of hardware and software.

Computer users want to be able to communicate universally and read or edit any file no matter what type of computer they have. Until recently, that was impossible. Different types of computers ran different operating systems; the software written for one operating system generally

wouldn't work on others. There wasn't a standard that allowed different types of

computers to work together.

Now there is, says Netscape's Clark. The Internet and its World Wide Web have provided the standard. The Internet's communications protocol, known as TCP/IP (Transmission Control Protocol/Internet Protocol), allows a potpourri of computers to link themselves across vast distances.

It also provides a technical foundation on which software companies can build future programs that will work on any type of computer: PCs running DOS or Windows, Macs, workstations running the UNIX operating system, and even network computers.

The Internet protocol, Clark says, has "created sort of an insulating layer above the operating system." This layer allows people to call up and interact with files created using any operating system. In fact, Clark believes that soon the operating system one uses won't matter much.

What will matter, he says, will be the Internet browser software, such as his company's Netscape Navigator, through which people will interact with programs and files just as they currently interact with operating systems such as Windows.

Microsoft has gotten the Internet religion, too. It has developed a Web browser, Internet Explorer, to compete against Netscape Navigator.

Moreover, notes Microsoft's Bach, Microsoft has built TCP/IP communications capabilities into its Windows 95 and Windows NT operating systems and will weave World Wide Web compatibility into future desktop software programs. "We've taken the common paradigms of the Web—linking, navigating, searching—and really built that into the applications so that it's part of the application in which you work." Bach says these Web technologies will make it easy for small companies to convert documents into Web pages and to incorporate Web content into their desktop programs.

The Internet is just the foundation of a farther-reaching network to come. Communications networks already have begun helping small companies improve their day-to-day operations. Leading-edge small businesses have started using their internal computer networks to share information among employees.

Netscape and Sun Microsystems Inc., a computer hardware and software company also in Mountain View, have said the Internet ultimately will render the Windows operating system irrelevant. Bach says he is skeptical of such claims.

What intrigues him is the potential of new Internet-compatible software languages such as Sun's Java and Microsoft's ActiveX to spur development of a new breed of low-cost, special-purpose software that could be downloaded over the Internet as needed and run in connection with software applications such as a Web browser, spreadsheet, or word processor.

Netscape's Clark takes this a step further: He forecasts that narrowly focused, network-based software programs will be the tools that most entrepreneurs will use to do business in the next century.

his network-based software will become even more crucial to small businesses as computing and telecommunications become even more tightly intertwined. The marriage of the two is rapidly creating a new infrastructure for doing business.

The Internet is just the foundation of a farther-reaching network to come. Communications networks already have begun helping small companies improve their day-to-day operations. For example, leading-edge small businesses have started using their internal computer net-

works, or intranets, to share information and facilitate collaboration among employees.

The increasing demand for internal and external communications means that the old voice-based telephone networks must give way to newer networks capable of carrying voice, text, data, and video.

Telephone, cable-television, and other telecommunications companies are well along in upgrading their copper-wire networks to fiber-optic and coaxial cable joined by state-of-the-art switches. These switches can move 10 to 15 times more data at speeds 100 times faster than the

equipment and lines they are replacing, say networking experts. Some of the new infrastructure is already in place in some areas, and the rest will be deployed during the coming two decades.

Advanced wireless cellular and digital networks are also emerging to harness the airwaves for a variety of communications.

In the works are satellite networks that will, for the first time, allow two-way transmission of data.

Experts say these soupedup and interconnected networks would allow small businesses to use computers and other devices to work across external networks as easily as they operate now on their companies' local computer networks. And the greater the number of people connected to a network, the more valuable the network becomes, IDG's Metcalfe has said.

Some critics, including Metcalfe, warn of a danger that the demand for increased capacity could cause some networks, notably the Internet, to collapse. They point to widespread short-duration service interruptions by Internet service provider Netcom On-line Communications Inc. in June and by on-line service America Online in August as harbingers of what's to come.

But most technology gurus say that because of growth, the Internet will survive—and prosper. "The Internet would collapse if it weren't growing," says Netscape's Clark. "As more people get on it, there's more money funding it."

#### The Movement Of Money

There's also no shortage of optimism among technology pundits when it comes to the small-business potential of the rapidly growing world of electronic commerce. (See the charts on Page 19.) Imagine, they say, a dynamic market in which small companies suddenly can compete on equal footing with large U.S. companies and with companies of all sizes

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• Care provided by primary care physicians and specialists • Satisfaction with primary care physicians and specialists	#1	#1
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Quality of medical care	#1	#1
Customer service     Lealth and well-being	#1	#1
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#### **COVER STORY**



### JAMES CLARK

Pioneer in the development of high-power computers and Internet software.
Chairman, Netscape Communications Corp., Mountain View, Calif.
Age 53; Ph.D. in computer science, University of Utah

Graphics Inc. to create computer workstations and servers for 3-D graphics and multimedia applications. In 1994, Clark founded Netscape Communications, which makes the market-leading software for exploring the Internet's World Wide Web. Clark recently formed two new companies: Healtheon, to provide health-care information services on the Web, and Navio Inc., a spinoff of Netscape, to create Web-browsing software for communications devices other than computers.

Clark observes that computers and telecommunications are merging in a way that will enable even small companies to communicate globally using voice, data, and video.

PHOTO: ©ROBERT HOLMGREN

based elsewhere around the globe.

The opportunity to reach new markets is tremendous, they note, as is the ability to improve service for existing customers. "A lot of small businesses can become international by being on the Internet," says Metcalfe. "I don't think we've seen the full impact of that."

Behind the scenes, software companies, the financial-services industry, and a host of new financial players are devising banking and payment systems that will help make widespread electronic commerce a reality. MasterCard and Visa are ironing out details for secure credit-card and debitcard purchases. Electronic forms of cash—aptly called digital cash—are being developed to allow people to make cash payments by computer and download cash to electronic readers they can carry with them to make purchases in stores.

In the area of financial services, work is under way to devise an easy, secure way to link businesses electronically to financial institutions, payment companies, and government agencies for banking, payments, and taxes as well as financial, insurance, investment, and health-care information.

Two big steps in that direction were taken in September: IBM announced a co-

operative effort with 15 major banks to set up an on-line banking network; and Intuit announced its intention to release standards that would enable businesses and individuals to connect to any type of banking system over the Internet from their PCs.

Intuit's Cook says a host of new electronic services covering financial needs—from banking to investing to health-care coverage—will make electronic commerce increasingly viable for individuals and small companies. "We're building systems that will allow small businesses to buy products over the Internet," says Cook.

#### The Personal Touch

Many people say technology and automation will make doing business less personal, but EDventure's Dyson says personal touches such as service will mean much more. "People's attention and time are valuable. Not only do you want to get their attention, but you have to give them attention."

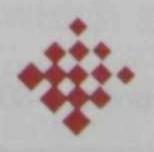
Dyson says this need for service will make it necessary for small companies to find high-quality workers. The good news, she says, is that the Internet will make the companies and the better-qualified job candidates more visible to each other and will remove many of the geographic considerations in hiring. The bad news is that the workers will be harder to keep because they will be in constant demand by a variety of businesses.

occurring at once, small-business owners may get the feeling that the future is hurtling toward them. Yet, for many, their first forays into putting technology to work in their business have prepared them for many of the challenges to come.

If the experts are right, the years ahead won't be about which kind of computers a business owns or the software it uses, but about how technology influences the way the company works and does business with its customers.

Think of the telephone or the fax machine and how important they are to doing business. The new kinds of computers that will emerge over the next few years are just the next step; these new computers will be better, smarter phones that plug into a farther-reaching network. They will be the means of communication for small companies, and they will be even more integral to the way companies work.

This story is part of a continuing series on managing at the turn of the century.



To order a reprint of this story, see Page 52. For a fax copy, see Page 31.



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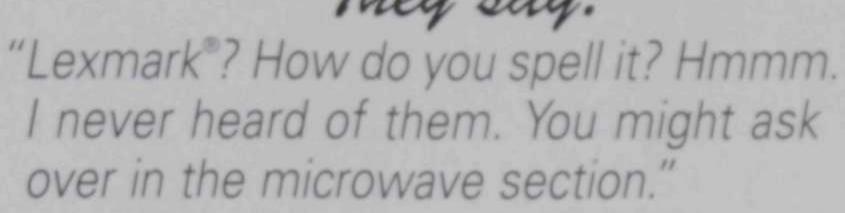
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"The reason you never heard of them is that for years Lexmark has been making printers for banks, pharmacies and other big businesses."

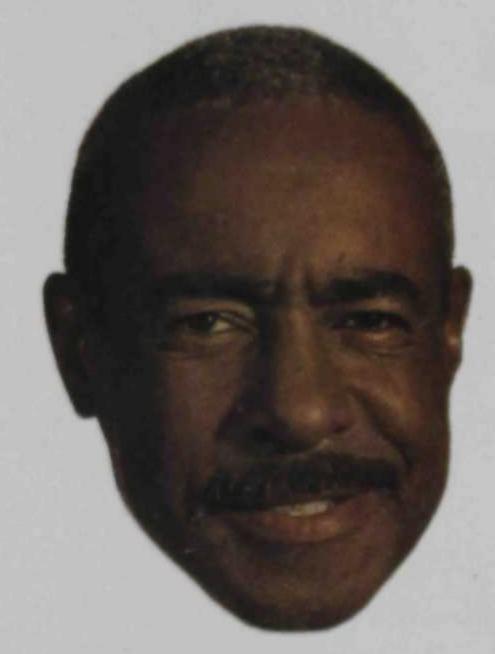
They say: "Listen to me. You don't want a Lexmark. You want a Canon. I own several of their cameras. They're really good."



You Say:

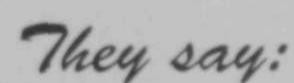
"The problem with Canon is that if the paper gets wet, the black ink runs. Lexmark uses a patented, waterproof black ink so that isn't a problem."

They say: "You know what they say, 'You've got to see it in Epson®color."' Pretty catchy, huh?"



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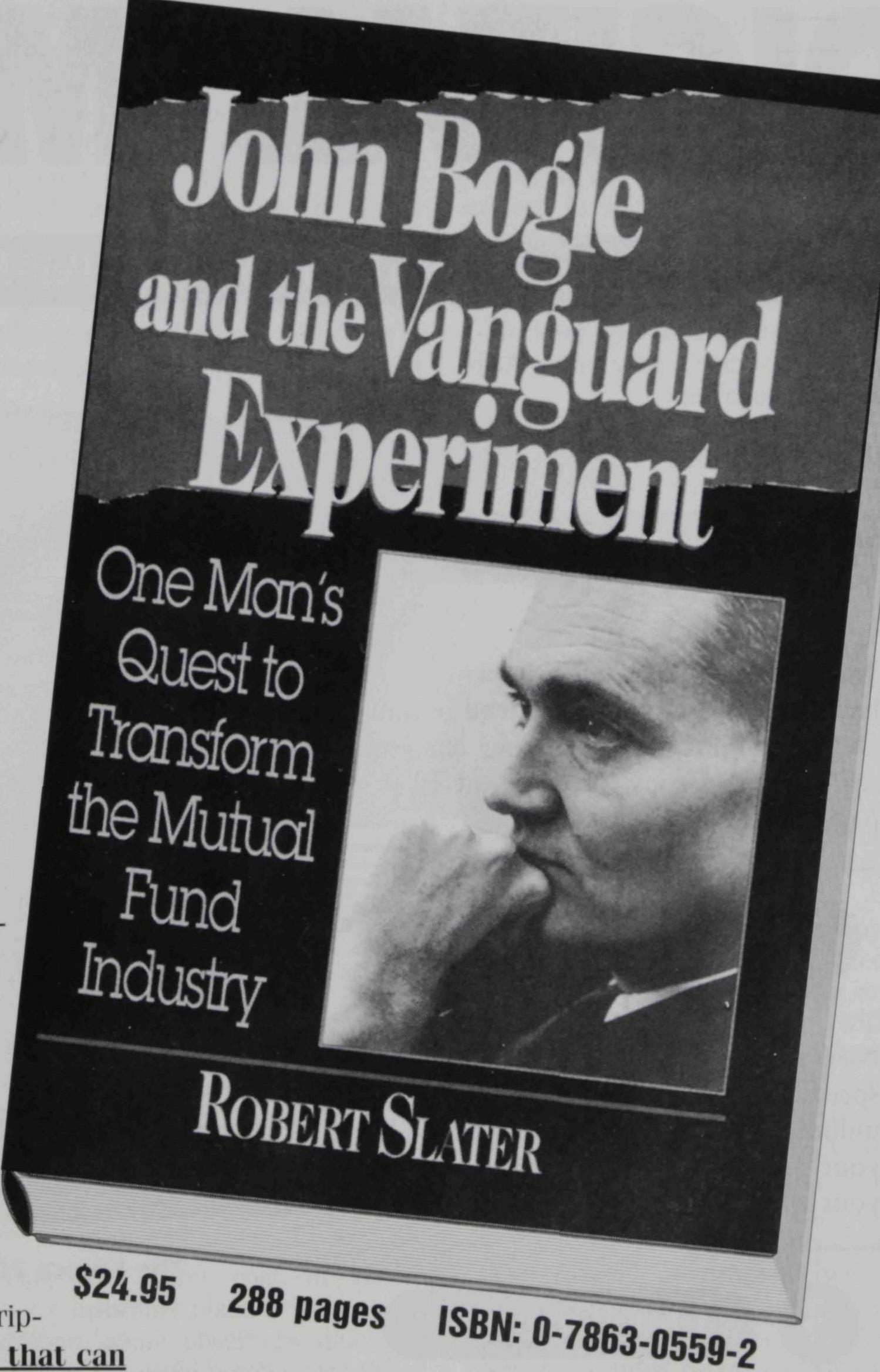
-The Washington Post

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# Taking The Taxes Out Of Health Care

Employees at small firms will soon be able to take part in a national experiment—medical savings accounts.

By James Worsham

he self-employed and workers at companies with fewer than 50 employees can sign up for tax-free medical savings accounts under a federal pilot program that begins Jan. 1.

The accounts, known as MSAs, work like retirement savings plans. Employees or their employers will make tax-free contributions to an account similar to an individual retirement account (IRA). The MSA is earmarked for use by the participating individual to pay medical bills not covered by insurance.

The pilot program's rules spell out who can sign up, require that participants have health insurance that meets certain criteria, and tightly govern the use of the accounts

for paying medical bills.

The required insurance, whether purchased by the individual or by the employer, must have high annual deductibles—at least \$1,500 for an individual policy and at least \$3,000 for a family policy—but will cost significantly less than current policies with \$250 or even \$500 deductibles.

The pilot program for testing the MSA concept was included in a federal health-insurance-reform law enacted last summer. Under the law, up to 750,000 currently insured individuals, couples, and families

will be allowed to set up MSAs.

Congress will use the pilot program as a basis for either expanding the MSA concept beyond the end of 2000, the fourth year of the pilot program, or abandoning it. Even if the MSA concept is not expanded, however, those who participate in the pilot program can keep their accounts indefinitely as long as they work for companies with fewer than 50 workers or remain self-employed.

The most outspoken champions of MSAs have been conservatives who oppose a greater government role in health care. John Goodman, president of the National Center for Policy Analysis, a Dallas organization that was one of the earliest MSA advocates, says the accounts will encourage individuals to shop around for medical services and obtain the lowest prices.

"The MSA empowers the employee and the employee's family," he says. But while Goodman feels the program is "a step in the right direction," he's skeptical that the pilot program will provide any useful information about consumers, medical costs, or the way health-care costs are met.

MSA critics, among them Clinton administration officials and many Democrats in Congress, argue that MSAs will help only individuals who have few health problems and who can afford to put money into the accounts. People who are poor and sick and who don't have MSAs, the critics say, would face higher premiums as the wealthier and the healthier migrated to MSAs, leaving fewer people among whom

MSA MSA O-O

ILLUSTRATION: GEORGIA LEIGH MCDONALD

to spread the rising cost of moreconventional insurance plans.

In addition, some observers maintain, people with MSAs could become disinclined to seek medical help when it's needed. "The MSAs may deter people from going to the doctor for a checkup just to save money," says Paul Fronstin, a research associate at the Employee Benefit Research Institute, in Washington, D.C.

nder the MSA plan approved by Congress, there will be no federal tax on funds contributed to an account or on earnings on the funds. Nor will there be any tax on funds withdrawn as long

as they are used to pay qualified medical expenses. Funds not withdrawn can accumulate tax-free over the years until needed.

Money withdrawn for nonmedical purposes will be taxed as income and subject to a 15 percent penalty if the individual is under 65. There will be no penalty for nonmedical withdrawals for people 65 or older.

Workers will be able to sign up for an MSA plan with their employer if the

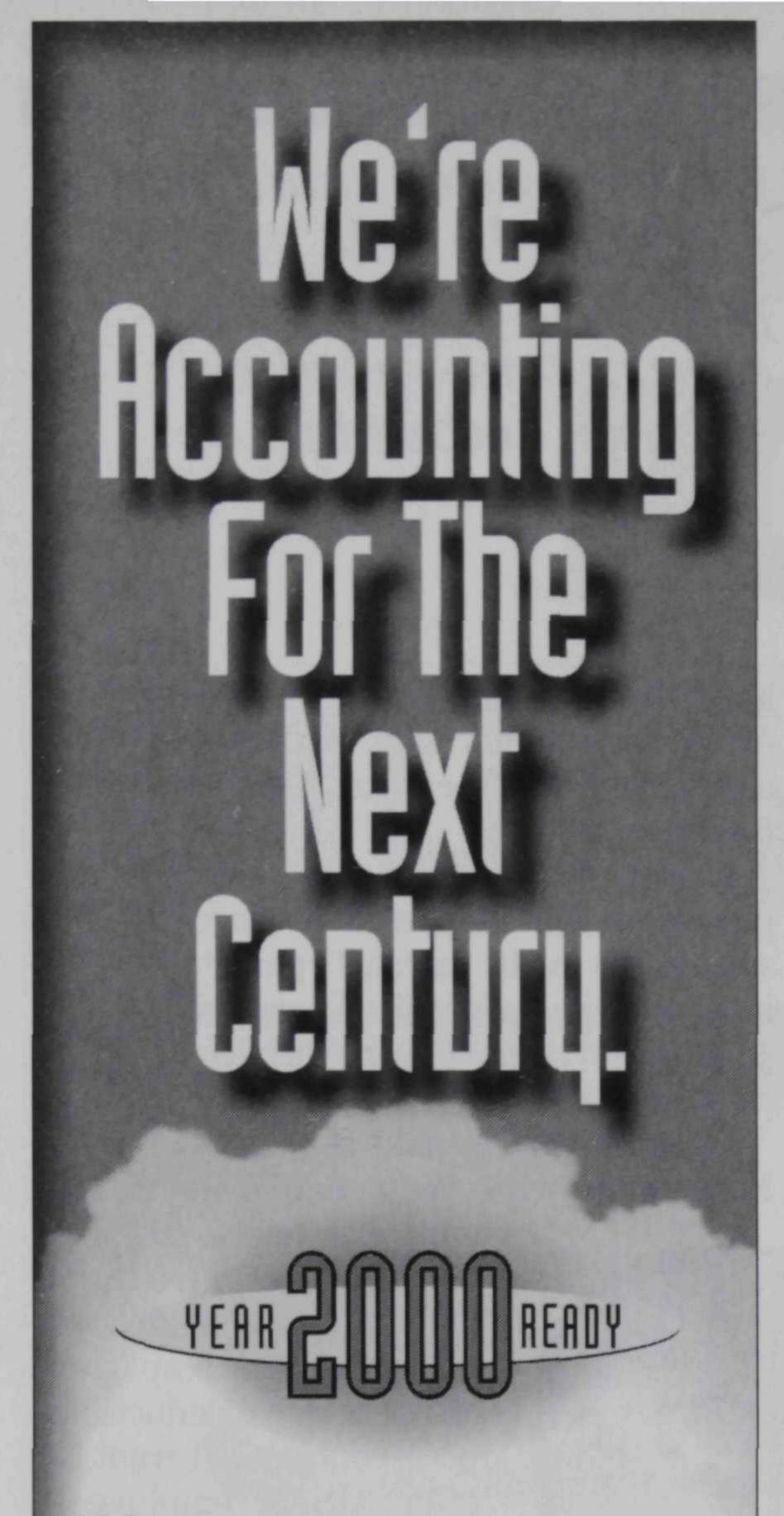
employer offers the plan in connection with a highdeductible insurance policy. If the employer offers a high-deductible policy but doesn't want to offer MSAs, employees can sign up for the accounts on their own as long as they also have the health insurance through their employer. But if the employer doesn't offer the high-deductible policy, the employee will not be eligible for the MSA program.

The self-employed may buy a high-deductible insurance plan and start an MSA with the insurance company itself or at a bank, credit union, or savings and loan.

As with IRAs, money in an MSA may be invested in a variety of ways, including stocks or bonds.

The federal government will receive periodic reports from insurers and financial institutions on the number of MSAs set up. Individuals must report contributions and withdrawals on their annual income-tax forms. Employers who contribute to employee MSAs must report the amounts when filing their taxes, and the amounts of their contributions cannot vary among employees.

Once the overall 750,000 cap is reached, no new accounts can be set up. The first count will be taken April 30, 1997, and if the number exceeds the 375,000 cap for the first year, enrollment will be halted on Sept. 1, 1997. Even if the total count exceeds the



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cap, however, no one will be terminated from the program as long as he or she is enrolled by Sept. 1 and continues to qualify under the rules.

The program also sets strict requirements for the insurance that participants must have. For an individual policy, the deductible may range from \$1,500 to \$2,250; for a family policy, from \$3,000 to \$4,500.

The policies must hold maximum annual outof-pocket expenses
(including co-payments and the deductible) to \$3,000 for individuals and \$5,500 for families. These expenses are to be met with funds drawn from the MSA.

Contributions to an MSA may be made by the employee or the employer, but not both in any one year. The maximum annual contribution allowed is 65 percent of the insurance policy's deductible for individuals, 75 percent for families.

Ithough the tax-free-savings aspect of MSAs is new in the health-insurance marketplace, the savings-account concept is not. For example, Golden Rule Insurance Co., based in Indianapolis, has taxable MSAs covering about 25,000 people in 2,000 businesses, mostly small firms.

"Next year, we'll be marketing the taxfree MSAs," says Brian McManus, a vice president of Golden Rule, now the largest MSA provider. He expects Golden Rule to have new competition for its highdeductible policies and MSAs.

In fact, Jack Strayer, director of federal affairs for the Council for Affordable Health Insurance, an Alexandria, Va., organization that represents insurance companies mainly in the small and medium markets, forecasts that insurers will sell far more than the allotted 750,000 pilot-project plans by April 30. That would shut the door on further enrollment.

"I don't think MSAs can replace health insurance," Strayer says. "But they will inevitably be part of all insurance plans."

Currently, according to the council, 18 states allow MSAs that are not subject to state taxes. The council expects states with rules that aren't quite the same as the new federal rules to bring their state programs into line with federal law. It also expects

"The MSA empowers the employee and the employee's family."

—John Goodman, National Center For Policy Analysis

MSA

WISA

MSA

other states to make MSAs free of state taxes.

In the insurance market, MSAs will join a wide array of medical insurance plans—from traditional choice to managed care—for companies and their employees to pick from for coverage.

"The MSA experiment will provide an important new option for many small

employers," says
Neil Trautwein,
the U.S. Chamber
of Commerce's
manager of healthcare policy. The
Washington-based
National Association
for the SelfEmployed is also
supporting the
accounts.

Employers who want to participate should contact their insurer or a bank or other financial institution for details on

what can be offered and what they should do.

In addition, the Internal Revenue Service plans to issue guidance on the program for tax practitioners and the public before the end of the year, according to an agency spokesman. To obtain that information, call the agency's toll-free number, 1-800-829-1040, or access the IRS's home page at <a href="http://www.irs.ustreas.gov">http://www.irs.ustreas.gov</a> on the Internet.

Meanwhile, the General Accounting Office, the investigative arm of Congress, is to conduct a study of tax-free MSAs under the pilot program. It will focus on, among other things, the type of people using MSAs, the impact of MSAs on medical costs, and consumer behavior.

ow popular the tax-free-MSA concept will be remains to be seen.

MSAs could even become part of managed-care programs, since the law establishing them also contains provisions to permit health-maintenance organizations to charge deductibles and service MSA-holders.

MSAs may not be the right approach for every small business or every employee, but they do provide yet another option for small companies looking for cost-effective ways to provide health-care coverage for their employees.

Proponents are optimistic that tax-free MSAs will be a big success. They plan to renew efforts on Capitol Hill next year to expand them and make them permanent. NB

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## The Greening Of Deal Making

By Glen Macnow

owhere is the first time recorded that an ambitious corporate tyro used a game of golf as a business tool. Maybe it was a dealmaking 18th-century Scotsman schmoozing a client with an afternoon of smacking feather-filled balls at storied St. Andrews.

Whether it began at Scotland's mecca for golfers or at some other course in some other time, golf and business have become as inseparable as many an executive's long-iron shot and the nearest bunker. It was 70 years ago that legendary sportswriter (and frustrated duffer) Grantland Rice offered this advice: "Eighteen holes of golf will teach you more about your foe or partner than will 18 years of dealing with him across a desk."

The marriage between two of this nation's favorite activities has solidified over the years. Last year, 25 million Americans played 490 million rounds of golf, and while no statistics are kept on how many rounds were business-inspired, it's more than likely that the day of bonding and sizing up included discussion of deals bigger than who would pay for refreshments at the Nineteenth Hole.

Consider the findings of "Golf and the Business Executive," a recent attitudinal study by Hyatt Hotels & Resorts. More than 400 links-loving managers and high-earning salespeople were surveyed. The study found that:

Ninety-three percent agreed with the proposition that golfing with a business associate "is a good way to establish a closer relationship."

Eighty percent said they find golfing "a good way to make new business contacts."

■ Thirty-five percent agreed with the



PHOTO: SDOUG HOPFER

statement that "some of my biggest business deals were made on the golf course."

None of that should be surprising. An afternoon on the links presents a rare opportunity for uninterrupted (and presumably relaxed) conversation. The milieu stands in sharp contrast to other business-friendly sports, such as tennis and squash, in which opponents spend most of their time moving around frantically.

With so little time actually spent swinging the clubs, golf is, as Rice suggested, a terrific way to ascertain the character of a potential partner. And it is a great equalizer.

"Golf brings the mail-room clerk and

the executive vice president to the same level—whether while teeing off or looking for a ball in the grass," write Jane Blalock and Dawn-Marie Driscoll in the book Gimmes, Bogeys and Business (MasterMedia Limited, \$9.95). "The ball doesn't know or care about your title, bank account, or salary and doesn't even know your handicap."

finding new ways to help business people grease the wheels of commerce. One example is a golf-instruction school geared toward business entertaining. Now, you no longer

Glen Macnow is a free-lance sportswriter in Philadelphia.

A few hours of golf with business associates can pave the way for doing business later on—and reveal a lot about the players.



"Golf somehow brings people together," says Roy Evans, chairman of Dallas-based FirstBank, shown working on his swing with Mike Abbott, far left, golf director for the Byron Nelson Golf School, at the Las Colinas Four Seasons Resort and Club; at right is club instructor Roy Holmes.

have to suffer the indignity of revealing a feeble backswing to a class full of strangers. Instead, you get to share it with partners, clients, and suppliers, who are more likely to commiserate.

That's the theory, at least, at the Byron Nelson Golf School at the Four Seasons Resort and Club at Las Colinas, near Dallas. The school, which opened last year, is designed to help you spur business by having a group of 10 to 16 people take

classes together, analyze each other's swings, and then hit the course. The shared experience presumably leads to bonding and, hence, partnerships.

"It's another, newer form of corporate entertainment, a new way for the businessman to capture the attention of the person he's trying to impress," says Mike Abbott, golf director at Byron Nelson.

"We've used golf instruction as a vehicle to help companies introduce products, maintain existing customers, go after new ones, or reward their best. It's unlike sending a customer on a trip to Disney World. This is an activity where you're with the other people from start to finish. People remember the relationships they build here."

Typically, a company will reserve the resort's golf-school facilities for a three-night, two-day program. There are two fairly lengthy instruction sessions (in both large and smaller groups) and two rounds of golf—the second one serving as a tournament. Wrapped around the play are meals, an awards banquet, and, if the company wants them, more-formalized work sessions.

Abbott meets with the sponsoring business executive before his or her stay. Is there a particular client whom the company is trying to impress? If so, arrangements are made to ensure that the sponsor and that client end up in the same foursome all weekend. Are there some weak golfers in the group? If so, the resort makes sure they get special attention—without embarrassment.

The full package at the Byron Nelson Golf School costs \$2,500 per guest, including everything from lobster dinners to complimentary golf clothes to daily pastries frosted with the sponsoring company's

logo. For smaller or less-affluent companies, there are less-costly options.

Roy Evans, chairman of Dallas-based FirstBank, took advantage of one such option. He entertained eight customers at an overnight, one-day stay at the resort. Several of his executives dropped by but did not stay at the resort. Total cost for the program: about \$7,500.

"Everyone who participated thought it was among the most unique experiences



"Golf entertaining works," says Jody Cross, center, of the PGA National Resort and Spa, in Palm Beach Gardens, Fla. With her are consultant Valerie Scott, left, and Nancy

Oliver, president of the Executive Women's Golf Association, in West Palm Beach.

#### You Are As You Golf

Executives who golf, it is said, conduct themselves in business much the way they behave on the links. An attitudinal study by Hyatt Hotels & Resorts identified four informal categories of golfers:

Gunslingers enjoy betting on golf. They invariably take the harder, riskier shot rather than play it safe. They look for any edge they can find—including oversized clubs and balls designed to reduce hook or slice. In business, they are more likely to be gamblers as well.

Noncompetitors find golf relaxing and fun. They play less often than most golfers and are unlikely to lose their temper—on the course or in the office. They prefer

an easy course over a difficult one. Given the choice between going over or around water, they'll always take the safer route.

Escapists are competitive people who always try to beat the rest of their foursome, but they still say they enjoy pairing up with superior players. They are the most likely to take lessons. On the golf course, as in the business world, they are organized, independent, and generally calm. They don't always love their jobs.

Power Players are the most fanatical golfers and the most likely to conduct business on the course. They may daydream about golf during boring meetings. They've been known to hurl clubs in anger. They enjoy golf more than their work. For them, the course is the boardroom.

they've ever had," says Evans, whose own big thrill came when he met Nelson, the 84-year-old golf legend. "In previous years, we've taken our clients to dinners, the symphony, musicals, things like that. This surpassed all of those because golf somehow brings people together. It was expensive, but it was worth it. You learn a lot about a man when you spend a day golfing with him."

women as well. A 1996 survey of senior management women conducted by Catalyst, a New York City-based nonprofit research group, found that respondents were convinced that they had climbed the corporate ladder not only by working incredibly hard—harder than their male peers—but also by doing their best to fit into an overwhelmingly male office culture. And golf, they said, helped them fit in.

Golf was the most common outside activity among the women surveyed. Many said they were spurred not so much by a love for the links as by the chance to network with the "right people."

"How many business conversations and business decisions are made in the men's room or on golf day?" asks Edwina Woodbury, senior vice president and chief financial officer for Avon Products, Inc. To survive in the business world, she says, many women have taken up golf or "learned to talk sports with the best of them."

This year, women make up more than one-third of the golf-school students at the PGA National Resort and Spa, in Palm Beach Gardens, Fla. The resort, with 339 guest rooms and 80 cottages, is geared toward group meetings. Increasingly, the emphasis is turning to smaller businesses.

"Downsizing in corporate America means smaller meetings for us," says resort spokeswoman Jody Cross. "A lot of smaller companies are emerging, entrepreneurs starting their own businesses, and they're finding that golf entertaining works."

One such growing company is Daniels & Associates, a Denver-based investment banking firm that specializes in the mobile-paging business. In past years, the company celebrated the completion of successful deals by taking all parties to dinner.

But when a substantial and long-sought transaction was finally signed in 1995, company executives decided to celebrate it on a grander scale. They flew their managers who had been involved with the deal, along with a dozen or so people from the company with which they had reached the agreement, to Palm

Beach Gardens for a few days of golf.

"We had worked very closely with specific people, and I was looking for an effective way to say thank you for their confidence," says Brad Busse, chief operating officer of Daniels & Associates. "Golf is a very social way to strengthen relationships in a nonmeeting fashion. You may not even talk any business during the round of golf, before, or after. But it helps open up the lines of communications."

But what if you don't like what you learn? There is an axiom that goes, "If there is any larceny in a man, golf will bring it out." The Hyatt study bore that out, with 55 percent of the executives admitting that they had cheated in golf at least once.

The commonest sins? Moving the ball to a better spot (41 percent), not counting a missed tap-in (19 percent), taking an extra tee shot (13 percent), and intentionally miscounting strokes (8 percent). Half of those who took part in the study agreed that "the way a person plays golf is very similar to how he or she conducts business affairs."

in the case of two particular firms—long-standing business partners—that have built a golf outing into their annual negotiations. The Iowa Veterinary Supply Co. of Iowa Falls and the Fermenta Animal Health Co. of Kansas City, Kan., have been dealing with each other for 25 years. The former distributes animal pharmaceuticals and biologicals, and it grosses \$80 million a year; the latter is one of its top suppliers.

The long relationship has brought about a certain comfort level. The leading executives of each company are now friends. They assume the relationship will continue year to year. So every March for the past six years, they have moved their annual contract talks away from the Midwest and down to the PGA National Resort and Spa.

The meetings run from Thursday to Sunday. There are formal negotiating sessions, but the 11 invited negotiators still manage to work in a round of golf each day. Wives are invited (all the top managers of both companies are men), and they, too, have become friends over

the years. That element, everyone agrees, further enhances business.

The bottom-line cost for the three-day event approached \$25,000 this year. Pricey, but worth it, says Tom Kruse Jr., vice president of sales and marketing for Iowa Veterinary Supply.

"Golf is the most popular sport in our business, which makes it conducive to conducting our annual deal," says Kruse. "The golf negotiating sessions are formalized. No one has a problem separating the two, but the bottom line is that we get more work done when we're all relaxed."

Once, the two companies tried a down-hill-skiing trip instead, Kruse says, but the varying levels of competence on the slopes put participants on four different hills (or kept some safely in the lodge).

"With golf," he says, "things stay more cohesive. Even if you're not very good, you can still play in a foursome with the other guys. It's more of a group activity than skiing."

And, recalls Kruse, "I had one of the greatest rounds I ever played down at the PGA National. It was great. Almost as great as signing the contract."

#### Mind Your Manners From Tee To Green

Every culture has rules of etiquette. Golf seems to have hundreds. You probably can ignore the kind of minutiae that got defending champion Greg Norman into trouble at the Greater Hartford Open earlier this year—when he was disqualified for using an improperly labeled ball. But when you're combining business and pleasure on the course, consider these 13 tips from Mike Abbott, director of golf at the Four Seasons Resort and Club at Las Colinas, in Irving, Texas:

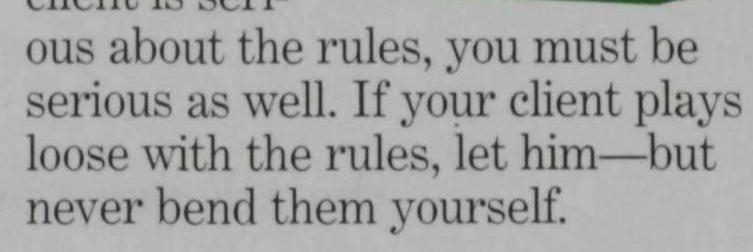
- To make it clear that it's a game for doing business, men should wear slacks. A man who does venture onto the course in shorts should at least rub out the elastic marks left by his business socks.
- Don't arrive at the course with plastic covers on your irons or tubes for your clubs. That's a dead giveaway that you are a novice.
- Leave the shot clicker at home. If you can't count to five, you probably are not an effective business person. If you need to count higher than nine on any

hole, you probably shouldn't be on the course.

- Always bring your client or partner a gift. A hat or a sleeve of balls is appropriate.
- (a free drive after a poor shot) is allowed off the first tee only.
- 6. Never let the client drive the golf cart. You must be in control.
- Limit your practice shots. Always play faster than your client. If he or she is always waiting for you, chances are you will never close the deal.
- Betting is OK, but let the client initiate it. Don't bet an amount that makes either side nervous.
- If your client cheats by kicking the ball, ask him if he hurt his foot.

  Thus, you let him know that you saw him cheating without actually

confronting him. If your client is seri-



Always acknowledge good shots.

Don't overconsole your client after bad shots.

That comes

That comes across as patronizing.

- No beer before the turn onto the back nine.

  And never eat anything with yellow mustard. It is sure to get on you somewhere.
- Never show your temper. But if you can't help yourself, at least follow the advice of golf great Tommy Bolt, who said, "If you are going to throw a club, it is important to throw it ahead of you, down the fairway, so you don't waste energy going back to pick it up."
- Beating your opponent is fine. Gloating is not.



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Not sure what you need? Sit down, relax, have some coffee and let's talk.



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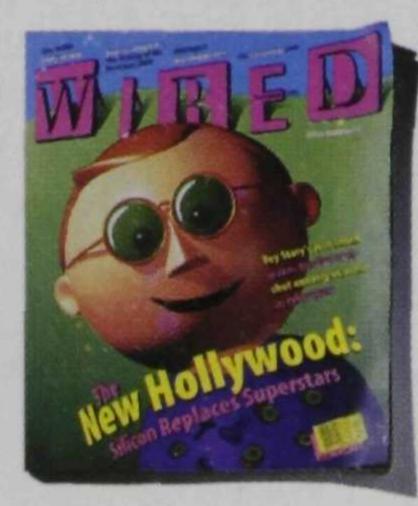
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## Back To Basics, From The Top

Executives of growing firms find ways to stay close to front-line employees and their customers.

By Roberta Maynard

amar Bell recently spent a weekend at a Golden Corral restaurant performing typical employee tasks: cutting steaks, setting tables, and taking out the trash. And he did them admirably, considering he's Golden Corral's chief financial officer and is far more accustomed to working with numbers than with knives and napkins.

Bell is among 50 top executives of the chain, based in Raleigh, N.C., who are assigned to hands-on restaurant duty one weekend a year. The purpose is to remind the company's decision makers what their business is all about.

In small firms, it's assumed that everyone—including the owner—knows the nature of everyone else's job. They know what drives the business, what attracts customers, and what produces profits.

But as companies grow, their top managers must begin to rely on supervisors to provide them with the information they once knew almost instinctively. That's when CEOs who want to dig deeper than performance reports and customer surveys need to find ways to keep their top people close to the action.

"The further senior management gets away from the point of delivery, the more they have to rely on sophisticated feedback—surrogates—to help inform them about what's going on," says Claude R. Martin, a professor of retail marketing at the University of Michigan in Ann Arbor.

For example, he says, buyers for retail operations used to work in the stores, but now many are removed from the retail sales process and rely on others to tell them what customers want. That's not a very effective or wise arrangement, considering the number of companies that are "chasing the same retail dollar," Martin says.

A competitive advantage for small firms is their ability to react quickly to market-place changes because of the closer link between front-line personnel and top managers. Now, says Martin, large companies are trying to emulate that characteristic. "We're beginning to see companies pulling people out of the office. The concept is that if you are going to be customer-oriented, then somehow every decision you make has to be based on a real knowledge of what's happening with the customer. One of the things we've been teaching is that, occasion-

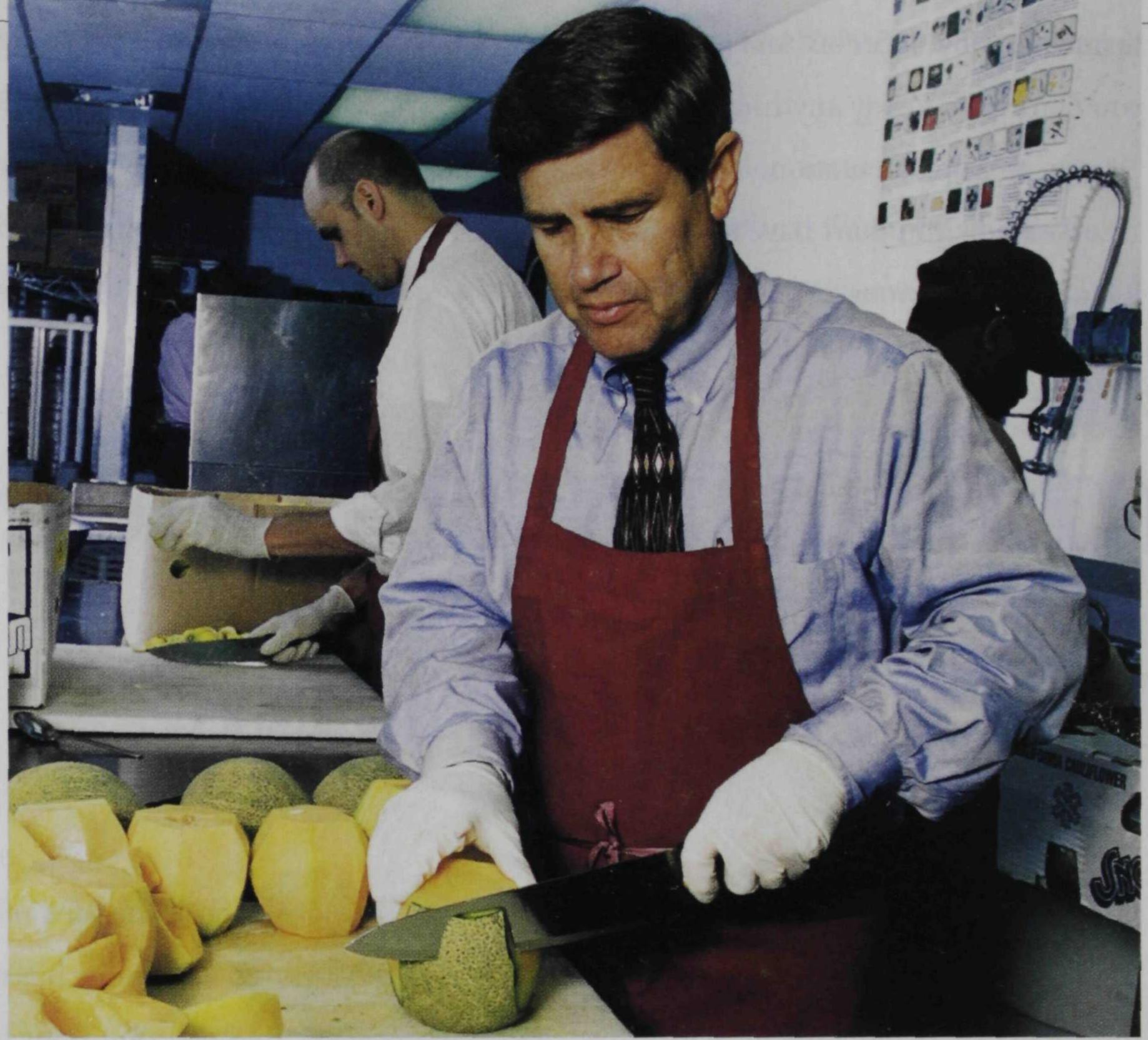


PHOTO: @DUANE HALL

A weekend per year working at a Golden Corral restaurant sharpens CFO Lamar Bell's sense of what drives the business and what customers want.

ally, senior management should get out and wait on customers."

#### When To Begin

At what point should managers of a growing company consider a systematic approach to reacquainting themselves with their customers? "Early on," says Rollie Tillman Jr., a professor of business administration at the University of North Carolina at Chapel Hill. "Once you have two or three stores, you start getting too many pieces of paper and too much to keep track of."

It was a period of rapid expansion and executive hiring 14 years ago that prompted Golden Corral to start sending executives back to work in restaurants. Annual revenues had just passed the \$100 million mark, and managers were seeking ways to keep the company's focus on its core business and customers. Golden Corral now has 451

restaurants; the program involves only the 206 stores that are company-owned.

But it's not company size that should determine when such programs are needed, says Bell. It's the changing nature of the operation as it grows. "It's when you're removed from where the money is made that it becomes important," he says. "People [at the top] need to be reminded about what kind of business they're in."

#### Fostering Feedback

It's never too early to start building those front-line ties, as a small custom printer in Burr Ridge, Ill., discovered. Graphic Solutions, an 11-year-old company with 65 employees, is projecting sales to reach \$5 million this year and to increase 15 to 20 percent next year. In anticipation of that growth, owners Suzanne Zaccone and her brother, Bob, have implemented internal

programs to maintain strong communication between employees and managers.

For example, employees meet regularly with their managers, and each month a number of workers from each department are chosen by lottery to meet with Suzanne and Bob, the president and vice president, respectively. Workers' questions and comments at the meetings touch on everything from daily workplace issues to the company's bigpicture agenda.

The Zaccones also let employees know when the company's budget is being developed so workers can make recommendations on equipment purchases and other expenditures.

Last year, for the first time, the Zaccones asked employees to review the company, a program they plan to continue. Employees are asked to express their views on company policies and to make suggestions for improving productivity and quality.

They also are asked for comments—whether positive or negative—about the performance of their managers and the Zaccones themselves. To protect anonymity and thus encourage candor, survey forms are mailed to employees' homes and are returned by mail—typed and unsigned, if employees prefer. "It's like a corporate report card for us," says Suzanne. "Sometimes it really opens our eyes."

And Suzanne urges employees to communicate with her by electronic mail when she's on the road.

#### **Lessons From The Field**

Growing firms such as Graphic Solutions can take a cue from large companies about the benefits of getting out into the field. For example, Golden Corral's Top 10 Weekend (the company-owned restaurants chosen for the program are among the top 10 percent in profits and sales) puts executives face to face with customers, shows employees that managers understand what they do, and gives managers a better understanding of operational problems and issues.

"It makes me appreciate what our managers and employees have to go through," says Bell, who has done restaurant duty every year since he joined the company 11 years ago. He says the experience has shown him, for example, that store managers "may be completing their paperwork at 2 a.m., after a full day in the restaurant," and that home-office personnel should be mindful of such things when making requests of the managers. "Those managers are serving the customer first—anything we require of them is secondary."



ployees know when the company owners Suzanne and Bob Zaccone—here with pany's budget is being develsupervisor Tom Gierlach, center—foster communication in the firm.

At Southwest Airlines, every manager has to spend one day each quarter doing a job in another department. During eight years with Southwest, Libby Sartain, vice president for personnel, has logged hours at jobs such as checking in passengers for flights and getting provisions onto aircraft. "That gives me an understanding of what people are doing. And it lets the front line know that we're not sitting around in an

ivory tower making decisions," she says.

When Sartain's department found that employees apparently were not comfortable calling the company's Dallas headquarters to ask questions about benefits, a benefits team was created—three people who travel to every employee location in the country two or three times a year to meet with workers and answer those questions.

#### **Keeping In Touch**

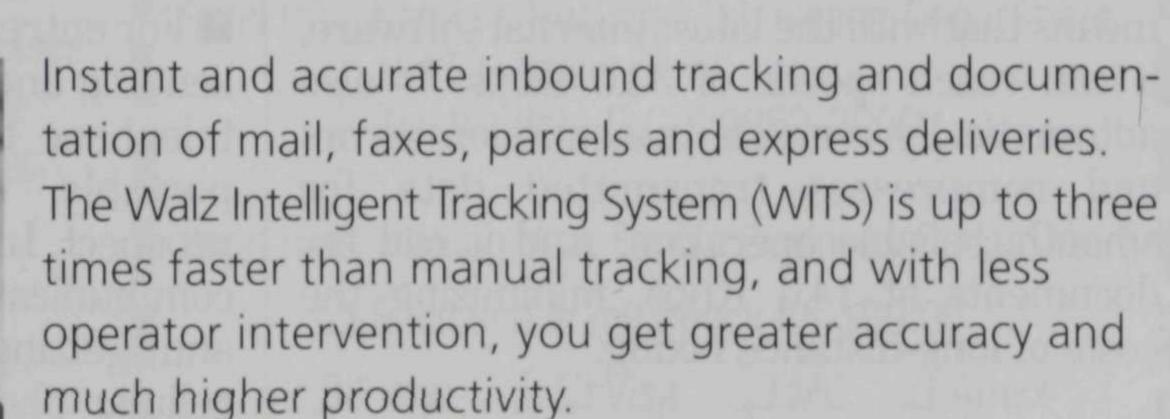
At Golden Corral, one of the changes was less visible. While taking out the trash at a restaurant, executives discovered that the narrow dimen-

sions of the disposal area made it virtually impossible for two workers to lift the heavy cans into a large trash container—a situation that was inefficient and ripe for worker injury. The result was a design change for the restaurants' disposal areas.

Over time, visiting the front line can pay off in important ways. Says Golden Corral CFO Bell: "It keeps us in touch, and it builds relationships."

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## Crucial Connections

By Tim McCollum

odems aren't just for sending data and faxes between computers over telephone lines anymore. A new dimension—voice—enables office and portable computers to double as speakerphones and answering machines.

Another category of modems, called terminal adapters, can transmit data at up to 128 kilobits per second (Kbps), or almost four times the current top speed of 33.6 Kbps for conventional modems. Adapters have been on the market for several years and now cost only about twice as much as conventional modems, but they require telephone connections using advanced communications technology known as ISDN—integrated services digital network. Though ISDN service is not universal nationwide, its availability to phone customers is increasing rapidly.

Nation's Business has been working recently with some conventional modems; three have proved noteworthy.

The Sportster Winmodem, by U.S. Robotics Corp. (\$120; 1-800-342-5877), is designed to let users of Microsoft Corp.'s Windows operating system connect with an on-line service or the Internet quickly and easily. Under Windows 95, the user merely plugs in the modem, and the operating system sets it up automatically. Under Windows 3.1, software provided by U.S. Robotics does the setup.

On the performance side, the Winmodem is compatible with the V.34 standard, which means that with the latest internal software, it can reach speeds of 33.6 Kbps. It also automatically corrects transmission errors and compresses transmitted data for smooth, reliable operation. And it can fax documents at 14.4 Kbps, minimizing the costs of long-distance faxing.

The VoiceSurfr, from Motorola Inc. (\$175; 1-800-426-6336), could appeal to small-business owners who work at least some of the time from a home office. The VoiceSurfr is a 28.8-Kbps internal modem with data, fax, and voice capabilities.

Like most V.34 internal data and fax modems, the VoiceSurfr has a built-in port that facilitates high-speed transmissions from the computer and can communicate



LUSTRATION: GEORGIA LEIGH MCDONALI

with standard fax machines at speeds up to 14.4 Kbps. Voice functions include speakerphone, answering machine, voice mail, and caller ID, allowing a computer to double as a phone system. The VoiceSurfr also has a fax-on-demand capability that allows callers to dial in to the computer to request fax documents.

Motorola is marketing the VoiceSurfr as a messaging and Internet-access tool as well. The modem comes bundled with SmithMicro's QuickLink Message Center software, which handles incoming calls and records voice mail.

And Motorola's paging software allows users to send text messages from a personal computer to alphanumeric pagers, which can display short text messages in addition to the phone number of the calling party.

For entrepreneurs who work on the road, sending and receiving data using a cellular telephone tethered to a modem-equipped portable computer is an appealing prospect. In practice, however, cellular data communication hasn't been very reliable, and getting the computer, modem, and cellular phone working together has been complicated—and frustrating.

The Cellular Data/Fax Modem, from Hitachi PC Corp. (\$280; 1-800-555-6820), may solve many of the reliability problems in cellular data communications. This 14.4-Kbps modem plugs into the industry-standard slot in all of today's notebook computers, though it has been factory-configured to work easiest with Hitachi's C and M series notebooks. A cable

Three modems show their speed and versatility in channeling information.

connects the modem to the cellular phone for making calls.

Hitachi overcomes the reliability problem by adopting a new communications-industry standard, called MNP-10EC, which makes accurate high-speed data transfers possible. The modem works with cellular phones from Motorola, Ericsson, and General Electric.

o matter how good a modem is, its value is negligible without first-rate communications software. Fortunately, such software programs have come a long way since the cryptic text-based DOS programs that were common as

recently as two years ago. Graphical programs that work in the Windows operating environment are the norm now, and many excellent programs are available for sending and receiving electronic mail or faxes or accessing a local area network via the telephone.

For example, the growing use of the Internet has spawned Internet e-mail programs such as Eudora Pro 3.0, from Qualcomm Inc. (\$89; 1-800-238-3672). Eudora Pro enables a computer user to put messages on the Internet through an Internet-access provider company.

Software such as WinFax Pro 7.5, from Symantec Corp. (\$99; 1-800-441-7234), now allows users to send and receive faxes by modem from their desktop or portable computers.

FocalPoint, from Global Village Communications (\$129; 1-800-736-4821), provides a single in box and out box for email, faxes, and voice messages, making it easier for a business to keep track of all of its incoming and outgoing communications.

Accessing the Internet or a distant computer network has become easier as well. Many computer retail stores sell Internet-access software such as Internet in a Box, from the Spry Inc. division of CompuServe (\$65; 1-800-557-9614). Two popular software tools for browsing the World Wide Web—Microsoft Internet Explorer 3.0 (1-800-426-9400) and Navigator 3.0, from Netscape Communications (1-800-638-7483)—can be purchased in computer retail stores or downloaded from the Internet.

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## Seeds Of Change For Farmers

The new law phasing out various federal subsidies is altering the landscape for agriculture.

By Stephen Blakely

or Mike VanCampen, head of familyowned Turon Mill & Elevator, Inc., in Turon, Kan., landmark farm legislation enacted earlier this year is already bearing fruit.

Because the new "Freedom to Farm" law

The new farm law phases out most federal commodity subsidies over seven years, leaving U.S. producers of those crops to fend for themselves in the marketplace by 2002—free of Uncle Sam's rules and financial support.

PHOTO: ©LARRY FLEMING

A new market-oriented law is encouraging efficient and productive farming, says Mike VanCampen of Turon Mill & Elevator, Inc., in Turon, Kan.

abolished so many government restrictions, the corn and soybean farmers who use VanCampen's services and buy seed and fertilizer from him branched out this year. Many are planting a wider variety of crops; some also are putting more land into production; and most are farming far more productively than they were allowed to under the old farm program.

"We're seeing a lot more interest in rotating crops, which really helps with pest control while also decreasing farmers' costs," VanCampen says. That and other seemingly basic, efficient farming practices were strongly discouraged under the old program, he says, because government support payments limited production and rewarded farmers for planting the same crops year after year.

Farmers will be devoting more of their acreage to more-diverse crops, says Floyd Gaibler, governmental-affairs vice president of the St. Louis-based Agricultural Retailers Association, which represents 1,200 farm suppliers and specialty service operations. "That will require more inputs [fertilizer, pesticides, and herbicides], more transportation and storage, and more trickle-down economic activity," he says.

#### **Increased Flexibility**

Farmers generally are welcoming the new market-oriented approach. In eastern Montana's McCone County—the most payments-dependent county in the United States, according to one recent analysis—Jerry Schillinger, a third-generation family farmer, says: "The thing I like about

'Freedom to Farm' is just that: We do have more flexibility. It allows you to plant what you think you should plant, rather than what the farm program says you should."

Schillinger owns a 1,250-acre wheat operation in an arid, windswept region and is

already using his new operational freedom to plant peas, safflowers, and lentils on his former "program acreage," where previously he was limited to growing only wheat. He says he's also growing more wheat than would have been allowed under the old law.

#### **Mixed Emotions**

Although the 1996 farm law is generating relief at the sudden independence from red tape and restrictions, it's also prompting some fear and uncertainty over the gradual withdrawal of the federal safety net. Among those who are concerned is Charles Mathews Sr., a fifth-generation rice farmer in Marysville, Calif., the most agriculturally productive state in the nation. He and his son farm 700 acres of their own as well as 3,000 acres for neighbors in an area suited for rice and not much else.

U.S. rice farmers compete with heavily subsidized foreign rice, and some producers such as Mathews won't be able to turn to alternate crops when federal rice payments are gone in seven years.

"This is very poor soil," Mathews explains. "You can't grow row crops or trees or wheat or corn. It waterlogs very easily, which makes it good for rice but bad for anything else. Our choice would be to either grow rice or let it go fallow.

"If the [rice] business goes out, it impacts a lot more people than just the rice farmers. It's the dryers, the truckers, the equipment dealers, the airplane services."

#### A FAIR Deal

Formally titled the Federal Agricultural Improvement and Reform Act of 1996 (FAIR), the new statute was driven largely by congressional Republicans intent on cutting government spending and regulatory intrusiveness. It was signed into law in April by President Clinton after a bitter, yearlong battle on Capitol Hill.

Much is at stake with the statute. (See the box below for details of the new law.) Agriculture and food distribution generate about 16 percent of the nation's income and account for about 21 million U.S. jobs; almost 2 million people are farmers.

Although the new law does not wipe out all of the government's old commodity programs, it does make sweeping and historic changes in farm policy.

The most costly farm programs were developed during the Great Society initiatives of the 1960s, when Washington adopted a system of direct income-support payments for farmers who produced the major commodities—the so-called program crops: wheat, corn, cotton, rice, sorghum, barley, and oats.

At their peak in 1987, direct government payments to farmers totaled \$17 billion, accounting for 30 percent of farmers' net income that year.

Under the old law, producers of program crops received government checks to make up the difference when market prices fell below government-set target prices for those crops.

The new law eliminates target prices and, eventually, the support checks for farmers. For the next seven years, farmers of those commodities will receive fixed, declining transition payments based on 85 percent of their previous program acreage, regardless of market conditions.

These changes will affect small businesses in major ways. According to the Agriculture Department, 86 percent of all farms are individual or family operations, 10 percent are organized as partnerships, and 4 percent are structured as corporations. Family workers also account for 70 percent of farm labor, with hired workers making up the remainder.

Although a relatively few very large farms produce most of the food and fiber in

the United States, even the big operations can be run by families—and most of them still are—because of mechanization and modern farming technology. In addition, most farm-equipment dealers and retailers of farm supplies are small enterprises.

and marketing costs. The United States has long had the lowest per-capita food costs of any nation.

Although many farmers are starting to take advantage of their new operational freedoms, it is likely to take several more



PHOTO: T. MICHAEL KEZA

The eventual end of rice subsidies poses problems for Marysville, Calif., farmer Charles Mathews Sr.; imported rice is heavily subsidized, and his land is unsuited for other crops.

#### Waiting For The Real Test

Economists expect the new law will mean far greater volatility in both commodity prices and farm income, as the government stops spending money to stabilize those sectors. But they do not expect it will cause big spikes in food prices. The crops, meat, and poultry produced by farmers account for only about 20 percent of Americans' food bills; nearly 80 percent goes for processing

harvests before the new law is seriously tested. Most farmers had already made their 1996 planting decisions by the time FAIR became law this spring.

Consequently, "this year doesn't count," says John Keeling, an agricultural economist in Washington with the Chicago-based American Farm Bureau Federation. He says the real crunch will come if commodity prices drop significantly in a few years at

#### New Rules Down On The Farm

The new "Freedom to Farm" law will trim farm subsidies from almost \$6 billion this year to \$4 billion in 2002, largely by phasing out government subsidies to farmers of wheat, corn, cotton, rice, sorghum, barley, and oats. Among the major changes included in the new law:

Planting Flexibility: Farmers receiving subsidies (payments continue at declining levels for seven years) are no longer required to plant designated crops. They can plant any crops they choose—except

fruits, vegetables, or potatoes—on acreage for which they had been receiving payments.

Land Idling: The government no longer can force farmers to idle some of their land as a condition for receiving payments.

Nonetheless, participating farmers still must follow rules designed to prevent erosion and conserve wetlands.

The Conservation Reserve Program, a voluntary program that pays farmers to take environmentally fragile land out of

production for up to 10 years, is trimmed to 36.4 million acres from 38 million.

Special Programs: Dairy price supports will be phased out over four years. Price supports for peanuts are being reduced over seven years. The sugar price-support program is being partially deregulated.

New Programs: The Department of Agriculture has launched a pilot "revenue insurance program" to help protect farmers' incomes. There's also a new Office of Risk Management to oversee crop insurance and other new risk-management programs.



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#### LEGISLATION

the same time that the deep cuts in transition payments take effect. "It's anybody's guess how all this will shake out five years from now," he says. "We've never had a fully market-run economy in agriculture."

Because the domestic farm economy has become so dependent on foreign markets—primarily Asia—many owners of businesses tied to agriculture say their chief concern is an international crisis that would cause U.S. exports and commodity prices to collapse.

Nonetheless, many experts say the new market-oriented farm law will be a big help to U.S. farm exports, particularly in light of the North American Free Trade Agreement and the latest provisions of the multinational General Agreement on Tariffs and Trade. U.S. agricultural exports are expected to hit a record \$60 billion this year.

"Efficiency will be re-

warded, and inefficiency will

definitely not be subsidized.

... People with expertise in

markets, futures, options" will

-Economist Maureen Kilkenny,

**Iowa State University** 

"One major impact of the farm bill will be a huge boost in export trade," says Stuart Hardy, agricultural economist for the U.S. Chamber of Commerce. He notes that "world demand is expanding" at a time when U.S. agricultural exporters' major competitors are hampered: European farmland is limited, South American producers lack an adequate transportation infrastructure, and the breadbasket of the

former Soviet Union remains an economic basket case.

prosper.

Says Hardy: "The U.S. is now poised to take advantage of unprecedented global trade."

#### Efficiency Will Be Rewarded

Stripped to its basics, FAIR transfers risk from the government to the private sector. As Washington gradually withdraws its historical support of agriculture, more of the risks of floods, droughts, high production costs, and low income will have to be borne by growers, marketers, and ultimately consumers.

Finding new risk-management techniques, especially through production and marketing contracts, will be the key to success as market forces replace the government in agriculture, experts say. New operational efficiencies will help—alternative crops, more-intensive land management, high-tech "precision farming," and biotechnology, among others—but they won't be enough.

"What I've tried to do with our farm is get

more involved in diversification, such as machine rental," says Montana wheat farmer Schillinger. He is seeking to "spread out" his overhead by renting his two \$165,000 combines and his trucks to other wheat farmers in the region. "Capital management is certainly going to be more important, especially in a business like this."

Maureen Kilkenny, an economist at Iowa State University, in Ames, says, "Efficiency will be rewarded, and inefficiency will definitely not be subsidized." She wrote a 1993 study that previewed many of the key provisions enacted by Congress three years later in FAIR.

ment and the latest provisions of the multinational General Agreement on Tariffs and Trade. U.S. agricultural exports are expected to hit a record \$60 billion this year.

Kilkenny sees new farm-management services, new insurance products, and data management as the keys to success. "People with expertise in markets, futures, options,

puts, calls, commodity insurance, income assurance" will prosper; she says, because "all these things become critically important." She sees tremendous agricultural opportunities for "anyone in computers and electronic information management."

The 26-employee Bank of Latah, in eastern Washington, which has two-thirds of its \$46 million portfolio in loans to wheat and grain producers, has already made that concept

part of its routine. The bank offers farmers low-interest loans for business computers and software, helps them learn to use the equipment, and then cultivates customers with current databases and newsletter updates. "What we really do is emphasize better management and marketing," says John Gilbert, the bank's president. "I think farmers will have to continue to be very cost-conscious, very debt-conscious, and become better and better managers."

#### Quickening The Pace

Two other well-established trends in agriculture are also likely to gain momentum as market forces replace government intervention. One is consolidation of farms, and the other is "vertical alliances," which tie producers more closely with processors and marketers to spread risks while improving the industry's ability to respond to consumer preferences.

"Farmers who can't produce at prevailing prices will sell out to larger operations," says Kilkenny. "[FAIR] will accelerate the trend toward fewer and bigger farms." NB





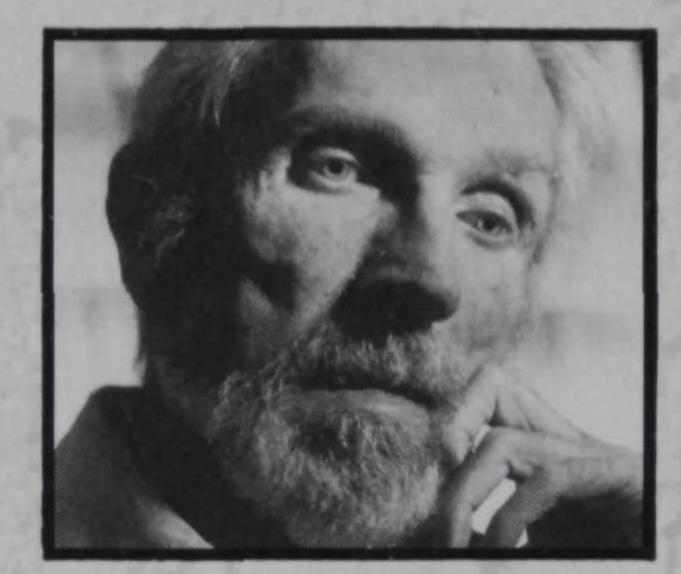




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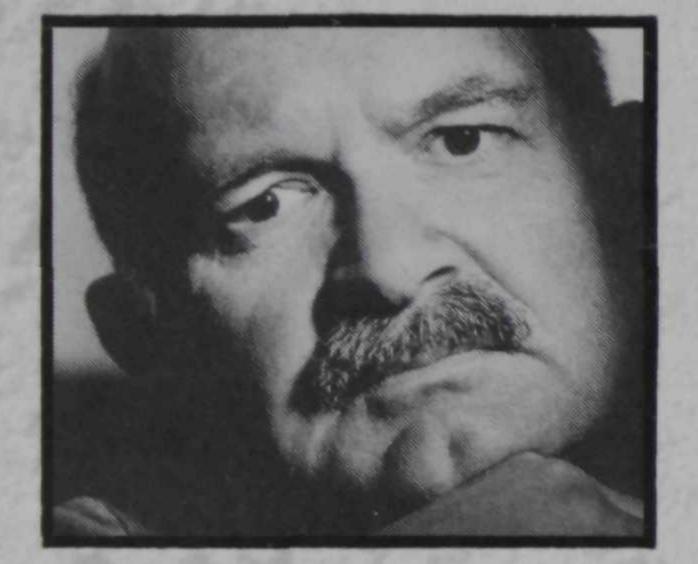








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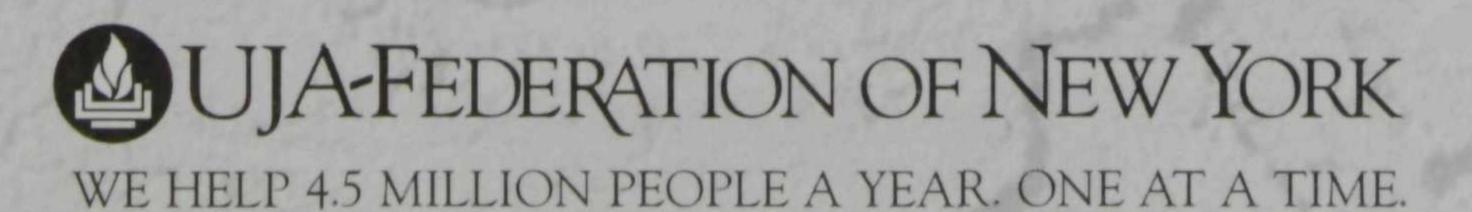
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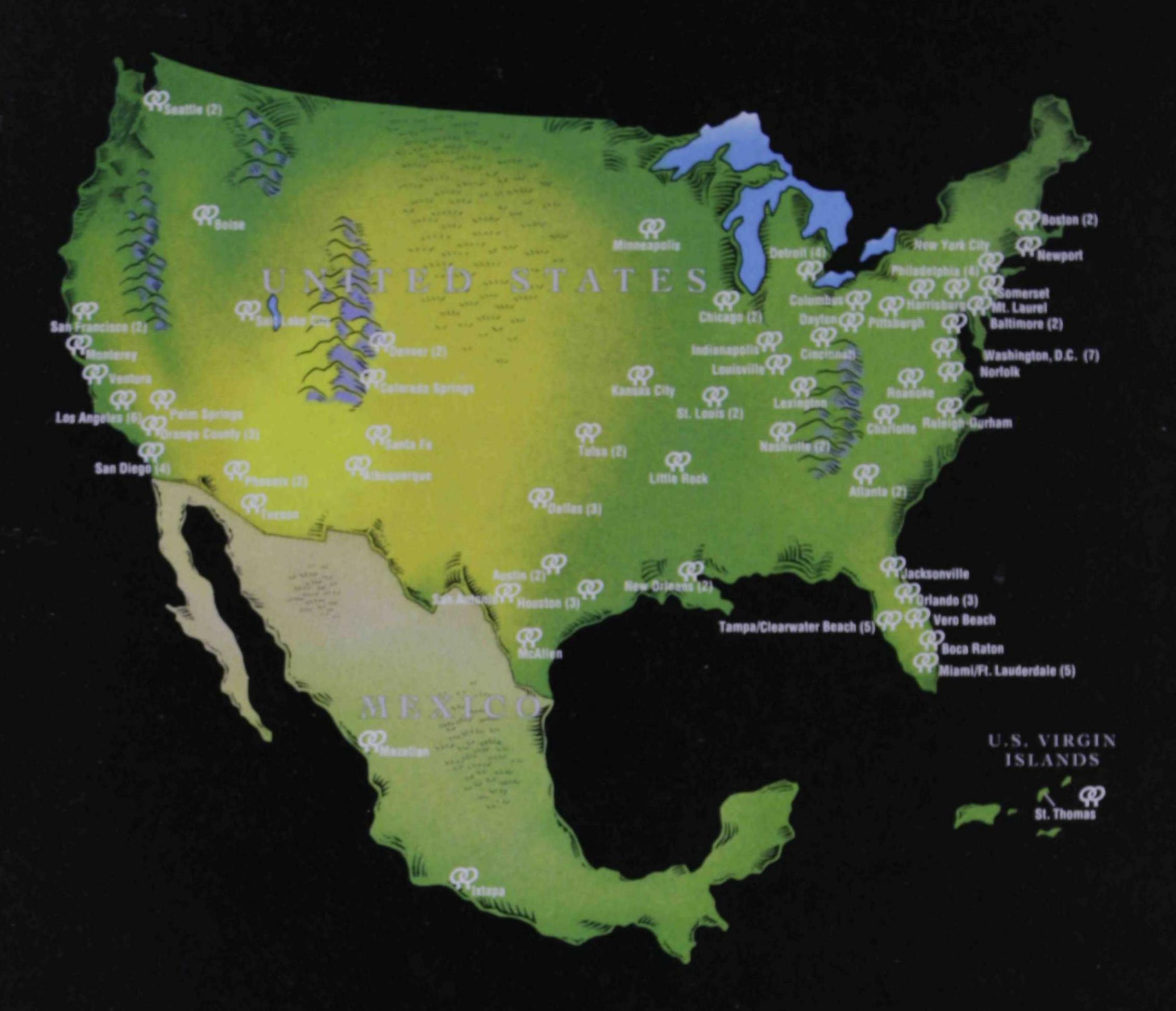
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#### MANAGING

## Building Your 'Customer Portfolio'

Savvy businesses cultivate customers' loyalty because it's more cost-efficient to keep them than to replace them.

By Michael Barrier

hen you drive your car into one of the six Time-It Lube locations in Shreveport, La., for an oil change, an employee punches your license-plate number into a computer. Immediately, says owner S. Todd Burns, "it comes up as a resale customer or as a new through follow-up inquiries. They have moved, for instance, or sold the car.

Repeat business "is like compounding interest," Burns says. Because his business is based largely on repeat customers and new business brought in by word of mouth, he doesn't have to spend much money on



PHOTO: ©TIM KELLY—BLACK STAR

Cultivating customer loyalty can help carry a company through a potential crisis, as David L. Whiting of Athletic Bag Co. learned.

customer who has to be added to the computer program."

Once customers have been added to the program, Time-It Lube does its best to bring them back. "If a customer is a very frequent user of our services, he may not get a reminder notice" that service may be due, Burns says. "But if it's been over 113 days—we established that number through trial and error, basically—a notice is automatically generated."

One lure the company employs is a frequent-user card. The third time a customer comes in within a year, the card is good for \$3 off the usual service price of \$24.95; a fourth visit brings a \$5 discount.

The result? About 90 percent of his customers return, Burns says. Among those who don't, many cite reasons that are beyond Burns' control, as he has learned

advertising. He has calculated that it costs him much less to retain customers by sending reminder notices and frequentuser cards than he would have to spend on advertising to attract first-time customers.

Other business people in a variety of industries have been making similar calculations and reaching the same conclusion: It typically costs much more to acquire new customers than to keep current ones.

"In the industries we've looked at," says Patty Knapik, a vice president with the East Coast practice of REL Consultancy Group, in Harrison, N.Y., "the acquisition cost has been three to five times larger than any retention cost."

Many companies that aren't aware of that disparity "accept churn as a standard operating cost," Knapik says, to the point that 50 percent annual turnover can be

regarded as an excellent performance.

Relatively low retention costs are not the only advantages derived from loyal customers. It usually costs less to do business with them than to serve new customers because they know more about your company. "Loyal customers are usually more costefficient for you to process," Knapik says, and usually pay you more reliably—"a productivity hit and a cash-flow hit."

They also tend to be less price-sensitive than more fickle customers. "Loyal customers don't care so much about saving a penny or a nickel or a dollar," says David L. Whiting, president of Athletic Bag Co., a 150-employee company in Salt Lake City.

In such ways, customer loyalty translates directly into higher profits. Says Duncan McDougall, a principal at Mercer Management Consulting in Boston: "Companies that are successful in customer retention are those that understand that their most important assets are not their products or their services, but their customers. They understand that they need to manage their 'customer portfolio' as closely as they would manage any other asset."

The first step toward enjoying the fruits of customer loyalty is, of course, to earn it, by providing something that will attract such loyalty. "You can send out all the reminder notices that you want," says Time-It Lube's Burns, "but if you don't make your customers feel comfortable when they enter your facility, and have a clean facility, and have competent people servicing their cars, they're not going to come back."

alty means doing what good businesses always do—meeting customer needs—but with a shift of emphasis: away from sales and marketing, in particular, and toward customer service; away from discount coupons for new customers, perhaps, and toward rewards for loyal customers, as with Time-It Lube's frequent-user cards.

Building a "portfolio" of loyal customers also requires taking actions and adopting attitudes more specific to that effort. Here are some guidelines:

#### Assess each customer's value accurately.

"The 80-20 rule really does apply to most businesses," McDougall says. "Frequently,

#### MANAGING

70 or 80 percent of a firm's profitability is generated by only 20 to 30 percent of its customers."

Consider the Taylor & Fenn Co., a 137-employee foundry in Windsor, Conn., that makes ferrous sand castings—specialized, short-run metal parts used by other companies in making specialized machines such as pumps and turbines. Taylor & Fenn has about 450 customers, says Edgar B. "Ted" Butler Jr., its president, yet just 67 of those customers—about 15 percent of them—produce 85 percent of the company's sales. "The greatest opportunity for new business," Butler says, "is with existing customers."

Singling out the customers you most want to keep—and, of those, the ones most likely to leave unless you give them your close attention—is critical to a successful retention effort, says Jim Barnes, a senior vice president and practice director with REL. "If you think that everybody is equally likely to leave you, you look at your customer base and say, 'There's no way I can spend the same amount of time on every customer to do this.'"

#### Don't assume your biggest customers are always the most valuable.

Athletic Bag manufactures bags of various kinds—about 10 percent of them bearing licensed team emblems—and sells them to around 5,000 retailers and to a like number of "ad specialty" accounts (typically to be given away as premiums with a company name on them).

Athletic Bag sells to big chains, but smaller stores remain the more important element in the company's customer base. "The bigger people seem to demand and threaten and look for every way they can to nickel-and-dime you," Whiting says. The lesson: Having a lot of loyal small customers can be more profitable than having a few fickle big ones.

#### Look for new customers that resemble your best loyal customers.

"We recently had a brainstorming session with our customer steering team," Butler says. "The purpose was to look at our top customers—the ones that are really happy with us and [whose business with Taylor & Fenn] is growing. We identified a few of those customers and said, 'What are their common characteristics?'"

By isolating those characteristics, he says, the company can "define for our sales force what works well, what's a good fit," beyond a technical match. "We've got limited time, people, and resources—why don't we go for the good fit?" A "good fit"—a customer that needs fast, reliable delivery, for instance, and attaches more importance to value than to price—will lead to a long-term relationship, Butler believes.

#### Don't try to keep all your customers.

Time-It Lube's Burns has some customers he doesn't want—the owners of very old cars on the verge of major mechanical problems that the owners may blame on his company.

For other firms, some customers can be



PHOTO: ©KHOI TON

Existing customers are most important to his metal-parts firm, says Ted Butler, left, with employee William McAdorey.

very costly to serve because they're so demanding.

"Getting to whether the customer is profitable or not is the first important thing," says REL's Knapik, and getting rid of the undesirable ones is the next—and it can be tricky because, for one thing, no business wants to appear guilty of declaring whole neighborhoods off-limits.

#### Encourage employee loyalty.

"Customers tend to come back when they see the same person behind the counter again and again," says Robert Tomasko, a Washington, D.C.-based consultant. "Minimizing employee turnover improves customer retention, which makes it easier for you to keep the revenues growing."

About 25 of Burns' 40 employees have been with the company for some time, he says. "For our industry, that's really good."

#### Remember that pursuing customer loyalty can pay off even in unlikely circumstances.

In some businesses, customer loyalty would seem to be entirely beside the point—as with a business that's built on impulse purchases.

A company that falls in that category is

Foot Traffic, a chain based in Kansas City, Mo. Foot Traffic sells socks at eight stores in tourist-oriented malls. The socks, many of them adorned with licensed characters, are the sort of thing a traveling parent picks up to take home as a present for a child.

Even so, owner Charles Barnard tries to run the stores as if his customers were going to make repeat purchases. "If you go to a department store," he says, drawing a contrast with his own stores, "there won't be anyone within sight of the sock department. And if you find someone, is that person going to be able to talk with you knowledgeably about why one sock may be better than another?"

To make sure that Foot Traffic has such people on hand, the company sends newsletters to its stores regularly, informing managers (some of them with Foot Traffic eight or nine years) and salespeople about what's going on in the sock business—differences in fabrics, for example, or in how the socks are sewn.

The result has been a surprising volume of repeat business. "Satisfied customers find a way to get back to you," Barnard says. "For us, a repeat purchase often takes place over the telephone, and not by an actual visit to the store. That's one reason we got into the catalog business, because we were fulfilling so many orders over the telephone."

Mail order "still doesn't drive our business," he says, but it has grown fast enough that he has set up a separate division within the company to handle it.

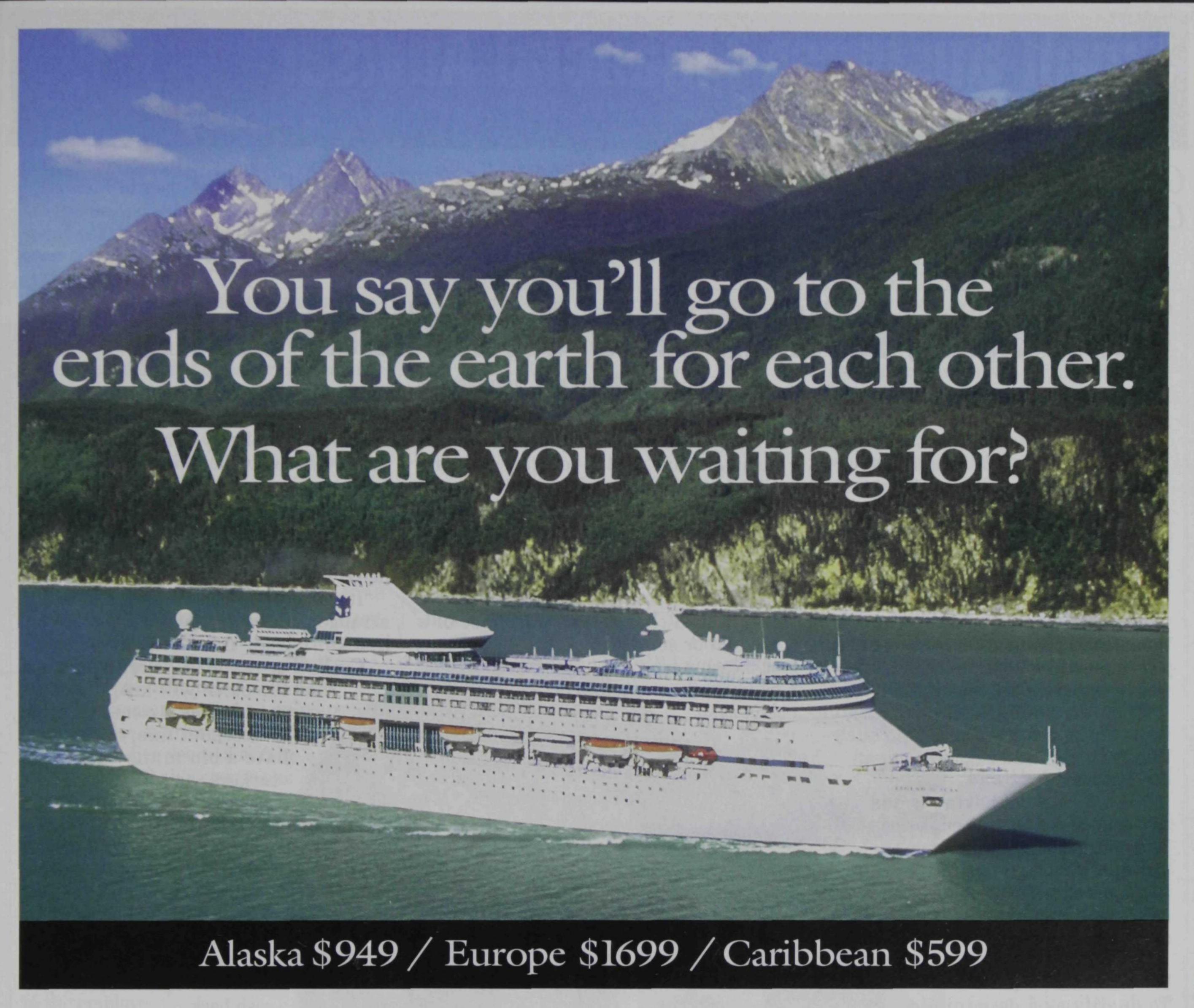
ometimes a continuing effort to cultivate customer loyalty can pay off in the best way possible: by permitting a business to survive a potentially lethal crisis.

Take the example of Athletic Bag, which has worked hard over the years to build strong relationships with its customers.

The loyalty of those customers was put to a severe test in August 1991, when fire completely destroyed the company's offices and plant. "Our first priority was to get back on our feet," Whiting says, "but our next one was certainly to communicate with all of our customers," who were expecting deliveries of bags for the start of the school year. A "mass telephone campaign" followed.

Within 60 days, the company had relocated to a temporary facility, received new equipment, and resumed production. Most of its customers stuck with Athletic Bag despite the interruption; sales have since gone up every year.

"A customer is an investment, rather than a sale," says REL's Barnes—and sometimes, as Athletic Bag's Whiting can tell you, such investments pay off handsomely.



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### Small Business Financial Adviser

Gifts that don't get taxed; friendlier independent-contractor rules; COBRA compliance check; balancing risk and reward.

## The Taxing Bottom Line On Holiday Giving

By Gloria Gibbs Marullo

ost business owners make some kind of gift to employees at Christmas. While many companies still hand out the holiday ham, others go all out with formal dinners, cash bonuses, or gift certificates. What many employers may not realize, however, is that many of their gifts to employees are considered compensation by the Internal Revenue Service and are subject to federal and state income taxes as well as Social Security taxes.

"There's a simple rule," says IRS attorney Janine Cook. "There's no such thing as a gift to an employee. It's all

compensation."

The way around having to add the value of a gift to the employee's W-2 income is to make sure the gift qualifies as a "de minimis" fringe benefit. (Tax people don't say "small," so impress your accountant with "de minimis.")

#### What Qualifies As Small

To qualify as a de minimis fringe benefit, a gift must be a product or service that is so small that it is unreasonable or administratively impractical to include it in income. So the questions are: How small is small? What is administratively impractical? And what about cash?

There is no specific dollar amount in the tax laws for de minimis gifts—even though a couple of figures might be mistaken for de minimis thresholds. The deduction for business gifts to clients and nonemployees—which obviously avoids the taxable-income problem—is limited to \$25 per individual per year. And an IRS rule that went into effect last year requires employees to keep receipts for meal and entertainment expenses only if they are over \$75.

"People just don't understand there are no \$25 or \$75 rules for gifts that qualify as de minimis fringe benefits," says Cook.

Now let's talk turkeys. In general, you can hand out a turkey or a ham and not

be required to include the value in the employee's W-2 income, because a turkey is "tangible personal property" that has a nominal value. But if you give each employee a \$10 gift certificate to purchase a turkey at a grocery story, your gift of a "cash equivalent" no longer qualifies as a de minimis fringe benefit.

A "cash equivalent" is any means such as a gift certificate or the use of a credit card that allows purchase of a

product or service as if cash were being used.
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LLUSTRATIONS: GEORGIA LEIGH MCDONALD

you give to an employee at any time—whether it's a salary, bonus, holiday gift, or safety award—must be added to the employee's W-2 income. As a cash equivalent, a \$10 gift certificate to buy a turkey is \$10 of taxable income.

"The IRS tries to be reasonable," says Cook, who is with the Office of the Associate Chief Counsel in Employee Benefits and Exempt Organizations, in Washington, D.C. "Say you want to give your employees both a holiday party and a turkey for Christmas or New Year's. We realize you probably don't want to pass out 100 frozen turkeys during the festivities at a nice restaurant." Cook suggests that employers issue "nonnegotiable" certificates to employees that include the employee's name, the grocery store, and the name of the item.

"It's also up to the employer to make arrangements with the grocery store on how to redeem the certificates," says

Cook. "For example, you can arrange that the store will keep track of every turkey as it comes through the checkout line, or you can have a bin in the back with turkeys tagged for your em-

ployees."

Whatever you do, don't put a dollar amount on the face of the certificate, don't allow your employees to choose what they want to "buy," and don't let employees exchange the gift certificates for cash or get cash back.

"As soon as you put the \$10 on the certificate," says Cook, "you fail the 'administratively impractical' requirement for a de minimis fringe benefit. If you know the value is \$10, you must add the \$10 to the employee's income."

Unfortunately, the rules on employee gifts and de minimis fringe benefits are not spelled out in any IRS publication, and Cook is "grateful to get the word out informally." She cautions, however, that her suggestions on nonnegotiable gift certificates are not official positions of the IRS and are not binding on the agency.

#### Dangers Of Dollar Signs

There is a big gap, however, between what the IRS permits and what companies do in practice. And the trend is definitely toward using gift certificates as holiday presents and as employee incentives.

Mary Manor, incentive-sales manager for the T.J. Maxx discount retail chain,

#### SMALL BUSINESS FINANCIAL ADVISER

headquartered in Framingham, Mass., says incentive programs "have really taken off in the last five years" among both big and small companies.

Donna Chrapek, publisher of Incentive magazine, estimates that \$20 billion is spent yearly on corporate incentive programs, including \$3 billion for corporate gifts to employees and customers.

The tax rules on incentives allow employers to give employees "achievement awards" that are not taxable in honor of employment anniversaries in increments of five years (for example, after five, 10, or 50 years of service) or safety awards that are not given to more than 10 percent of the company's employees in any year.

As with the de minimis rules, the award cannot be cash or a cash equivalent, and any award that does not qualify as an employee achievement award must be added to the employee's income.

Proposed IRS regulations, however, would allow an employee achievement award to consist of a nonnegotiable certificate. "This certificate," says Cook, "entitles the person to receive only specific tangible personal property." However, a person with five years of service in a company could probably choose one item from a very limited selection of nominally valued awards, such as a key chain or a pocket knife.

"Just be aware," says Cook, "that entitling an employee to receive an item is not the same as letting an employee choose an item." A gift certificate to purchase any item in a store or catalog is still a cash equivalent that is taxable income to the employee.

#### Remember Dickens

Whether it's a holiday gift of \$25 or a \$10 bonus for perfect attendance, "cash equivalent" certificates are the corporate gift of choice. But many small-business owners don't know they are breaking the law by not reporting the cash-equivalent value of holiday gift certificates as taxable employee income.

In an unscientific Nation's Business sampling of small-business owners who hand out holiday gift certificates, no one was aware of the reporting rule. Penalties can vary from mild to severe, depending

on the circumstances.

Among others who are aware of the rule, many simply choose to rein in their holiday generosity rather than cope with the reporting headache. Accountant Michael J. Knight, a partner with Michael J. Knight & Co., in Fairfield, Conn., and chairman of the American Institute of Certified Public Accountants' Small Business Taxation Committee,

sums it up: "It's a rule that has become so complicated that it has turned most employers into Scrooges at Christmas."

Knight hosts a Christmas dinner for his employees, which qualifies as a de minimis fringe benefit. If he handed out gift certificates at the same dinner, the value of the "cash equivalents" would be taxable income to his employees.

The moral of the story? Enjoy the

holidays, but remember the rules on employee gifts. And for what it's worth, remember that after a rough night of Christmases past, present, and future, Scrooge delivered a turkey—and not a cash equivalent—to Bob Cratchit and Tiny Tim.

Gloria Gibbs Marullo is a CPA and business writer in South Bend, Ind.

#### **HEALTH BENEFITS**

#### **Protect Your Firm** From COBRA Bites

Employers with group health plans subject to COBRA rules and regulations have urgent homework to do to comply with recent changes in the law that expand coverage for qualified beneficiaries.

"All existing COBRA beneficiaries should have been notified of their new rights by Nov. 1," says Paul M. Hamburger, editor of COBRA Quarterly, a newsletter for employers and benefits

managers. Many insurers have handled this job for their clients.

"If you haven't sent out COBRA notification letters by now," Hamburger says, "you must do so immediately to avoid possible lawsuits filed by exemployees who might claim they lost potential benefits because they weren't properly informed of their rights."

COBRA, part of the Consolidated Omnibus Budget Reconciliation Act of 1985, applies to your company if you have 20 or more em-

ployees and offer group health insurance. The law requires that employers allow former employees and their beneficiaries to continue their group health coverage for up to 29 months at the former employee's expense.

The two COBRA rule changes were included by Congress in the Health Insurance Portability and Accountability Act, which was signed by President Clinton on Aug. 21. The employer-notification requirement was also included in the law.

One change extends COBRA healthplan coverage to newborns or newly adopted children. Under the previous rules, such coverage was not included.

Under the second change, the maximum COBRA coverage of 29 months is available to those who become disabled after terminating employment or to their covered dependents. Previously, only those who were disabled before becoming eligible for benefits under COBRA were granted maximum coverage. Now, any qualified beneficiary who is determined to be disabled at any time during the first 60 days of COBRA coverage is eligible for 29 months of insurance. (Otherwise, maximum coverage is 18 months.)

Although the changes will benefit

employees, they may increase premiums for employer-provided health plans. "This new law could very well make company health plans much more costly," says R. Lucia Riddle, second vice president for group insurance with the Principal Financial Group, in Des Moines, Iowa. "Studies show that COBRA beneficiaries are almost 50 percent more expensive to cover than regular employees."

Even though the former employee is paying the total cost of an individual or family

health plan, heavy usage could well send premiums higher for the entire group.

"The first thing you should do," says Riddle, "is get in touch with your insurance agent and insurance carrier to see what they have to offer in the way of explanatory materials."

For further information, along with sample notification letters and other documents, you can get a Special COBRA Report, published by COBRA Quarterly, for \$30 by calling (301) 595-8808.

—Peter Weaver

The author is a business writer in Bethesda, Md.



#### **INVESTING**

50

### Risk Vs. Reward In Mutual Funds

By Randy Myers

True or false: To achieve higher rewards in your mutual-fund portfolio, you have to be willing to take higher risks.

If you answered true, congratulations. You're in good company. The principle of equating higher risk with higher reward is a fundamental tenet of virtually every investment book.

If you answered false, well, don't tuck

your tail yet. It may be that you've pulled your head out of the textbooks long enough to take a look at how things work in the real world, where the relationship between risk and reward is a whole lot fuzzier than it is in the textbooks.

Sure, the risk-reward principle holds water at the macro level. Stock returns historically have been more volatile than those for bonds, but they have also been consistently higher. And bonds are clearly riskier than cash in the sense that bonds, unlike cash, can go up or down in price.

But look what happens when you start to divide mutual funds into categories that are presumed to reflect their risk-reward profiles. Among domestic stock

funds, almost everybody would agree that the riskiest types of funds are aggressivegrowth funds—those that buy stocks strictly because they're expected to appreciate rapidly in value. At the opposite end of the spectrum are equity-income funds, designed to provide high current income through stock dividends.

#### **Unexpected Results**

Behaving by the book, aggressive-growth funds were considerably more volatile than equity-income funds for the 10 years that ended Aug. 31, and the former also outperformed the latter by nearly 2 percentage points per year during that period, according to data supplied by Morningstar Inc., a mutual-fund research company in Chicago.

Over the past 15 years, however, the average equity-income fund has outperformed the average aggressive-growth fund by nearly 2 percentage points, a complete reversal of what conventional wisdom would lead one to expect.

Even among funds with the same investment objectives, risk and reward don't always follow the expected pattern. Fairmont Fund and Longleaf Partners

Fund are both high-performing growth funds whose returns were in the top quartile among their peers for the five-year period that ended Aug. 31; average annualized returns were 15.2 percent and 17.9 percent, respectively.

Yet by one popular risk measure, Longleaf achieved its higher return with lower risk. Its standard deviation (a measure of how widely dispersed its monthly returns have been over a specified period)

was approximately half that of Fairmont. Clearly, the investor who suffered through bigger ups and downs with Fairmont over those five years was not rewarded with better performance.

#### Difficulties Of Discovery

As if it weren't bad enough that the relationship between risk and reward can be so tenuous, finding out just how risky any mutual fund is can be difficult. Daily newspapers—even The Wall Street Journal—don't carry the data, and most fund companies don't disclose it in their prospectuses.

That could change, however, if the Securities and Exchange Commission proceeds with a proposal to require disclosure. It floated that idea nearly two years ago but has yet to take any formal action. Part of the problem is that there are many ways to measure risk, and most fund experts agree that no single number would be adequate.

Nonetheless, there are ways to learn about how risky your mutual funds—or any that you're considering buying—have been. Morningstar Reports and the Value Line Mutual Fund Survey both publish

risk data; you can subscribe to them or find them in many public libraries. Also, personal-finance magazines publish special mutual-fund issues in which they list at least one if not several risk measures.

When doing your research, avoid the temptation to focus exclusively on one measure. Instead, try to look at all the measures you can find; each has different strengths and shortcomings. Here are a few of the most popular:

> Beta. Beta measures a fund's sensitivity to the movement of the overall stock market, usually represented by the Standard & Poor's 500-stock index.

> A fund with a beta of 1.0 should mirror the index's movements. A fund with a beta of 1.1 should move 10 percent higher than the index in up markets, and 10 percent lower in down markets. A fund with a beta of 0.9 should move 10 percent less than the index in either direction.

> The problem with beta is that it's useful only if the fund has a high R-Squared figure, which leads us to our next measure.

> R-Squared. This measures the percentage of a fund's movements

resulting from movements in the overall market, again usually represented by the S&P 500. An R-squared of 100 percent indicates that the fund mirrors the market. An R-squared of 50 percent means that only 50 percent of its movement is tied to the performance of the market. The lower a fund's R-squared percentage, the less reliable its beta.

Standard Deviation. This measures the extent to which a fund's returns varied over a specified time. The higher the number, the higher the fund's volatility.

The average domestic stock fund tracked by Morningstar had a standard deviation of 11.11 for the five-year period that ended Aug. 31.

In using risk measures, remember that they only reflect past performance and don't guarantee the future. But unless your fund changes managers or investment strategies, these measures should give you a good idea of how risky your fund will be.

Randy Myers is a financial writer in Dover, Pa.

#### **WORKER CLASSIFICATION**

#### Independent-Contractor Rules Get Friendlier

Recent tax law changes, which go into effect Jan. 1, aim to make life easier for small-business owners who use independent contractors—and to make it harder for the Internal Revenue Service to chal-

lenge this practice.

Hiring independent contractors (sometimes called free-lancers or consultants) is appealing because they, not their employers, are responsible for their own payroll taxes; there is no withholding. But when workers classified by employers as independent contractors are later determined by the IRS to be employees, it can trigger an avalanche of back taxes, penalties, and interest charges.

Since 1988, the IRS has reclassified independent contractors as employees in 90 percent of the cases it has audited, changing the classification of 483,000 workers and levying \$751 million in back taxes and

penalties.

Because of the agency's aggressive auditing practices, it's not surprising that this issue was declared the No. 1 concern by those who attended the 1995 White House Conference on Business.

In response, Congress in August tilted the playing field slightly toward business with changes included in the Small Business Job Protection Act, signed by President Clinton on Aug. 20. The law shifts the burden of proof to the IRS when the agency questions an employer's classification of a worker as an independent contractor rather than an employee. Previously in such instances, it was the employer's task to prove that the worker was not in fact an employee.

According to a long-standing 20-point IRS test, a person who provides services can be classified as an independent contractor if certain circumstances apply. For example, the person must be free to work for others; must not be subject to the employer's workplace requirements for employees; and should submit invoices on his or her own stationery. Details of the IRS rules are set forth in IRS Publication 15-A, available by calling 1-800-TAX-FORM (1-800-829-3676).

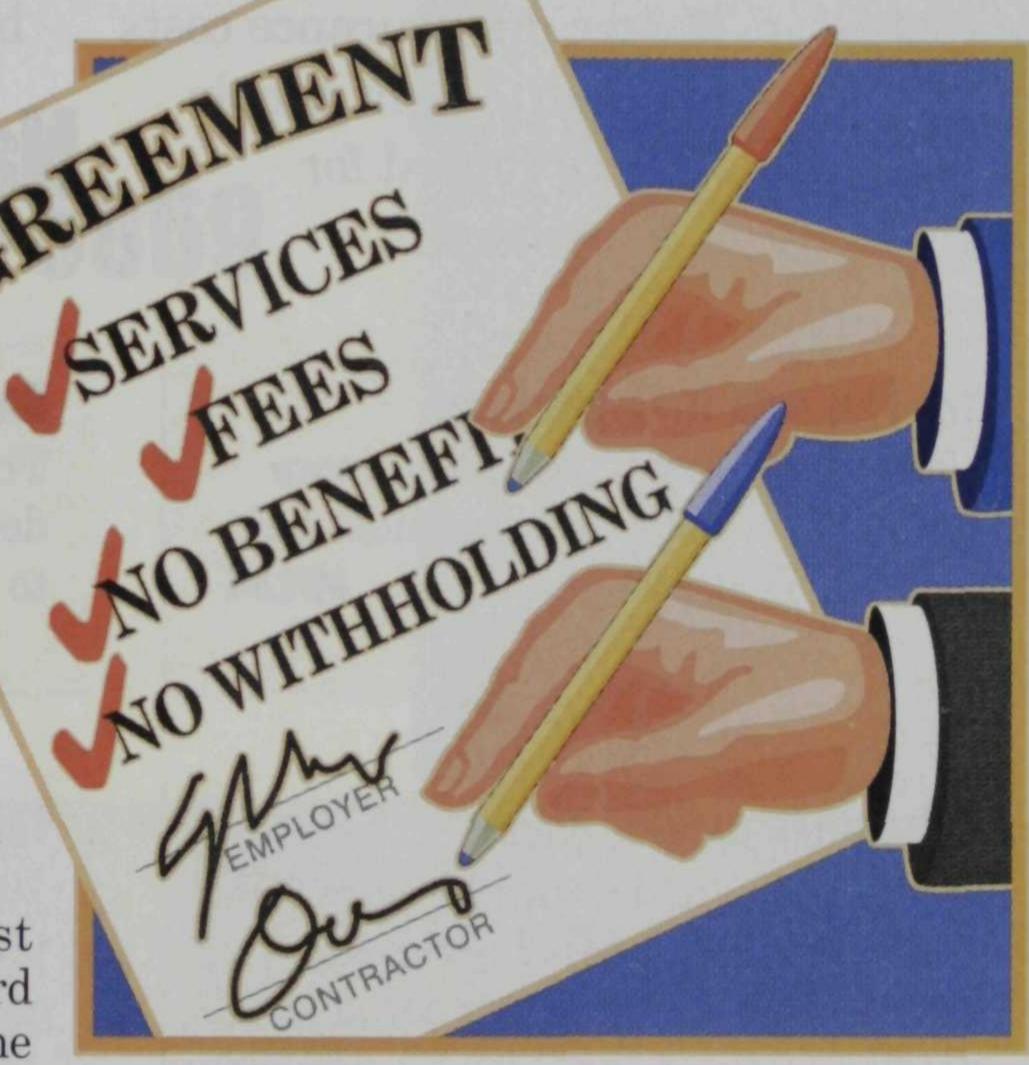
Another change in the law governing independent contractors—Section 530 of the Revenue Act of 1978—makes it easier for a business to claim so-called safe-harbor protection by showing that certain

types of workers in a particular industry have been widely regarded for many years as independent contractors.

While tax professionals see these changes as beneficial to companies, they don't expect the IRS to pull in its audit horns. "I don't see these changes slowing down IRS auditors," says Steve Mather, a small-business tax attorney with Kajan, Mather and Barish, in Beverly Hills, Calif. "However, if you are audited, having the burden of proof on the IRS side should make it somewhat easier to defend yourself."

Tax professionals suggest a number of important steps companies should take to reduce their chances of being penalized as the result of an audit. "One of the best

> things you can do to protect yourself when



you hire an independent contractor is draw up a written agreement for both parties to sign," says Michael J. Knight, chairman of the Small Business Taxation Committee of the American Institute of Certified Public Accountants. According to Knight, the agreement should:

■ Describe the services to be provided, the duration of the agreement, and the money to be paid to the contractor, with the understanding that there will be no fringe benefits.

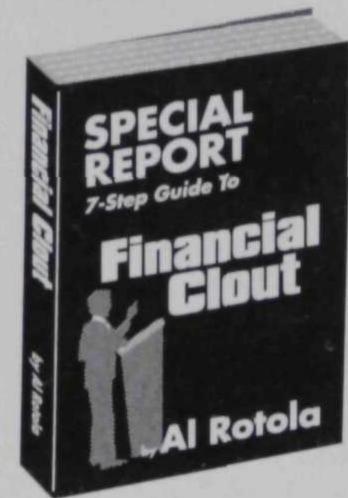
- Specify that the contractor is responsible for paying his or her own federal and state taxes.
- Include acknowledgement by the contractor that he or she has complied with applicable business licensing requirements and maintains a set of books and records.

It's also a good idea, Knight says, to get a written opinion from your accountant covering your working relationship with contractors.

—Peter Weaver

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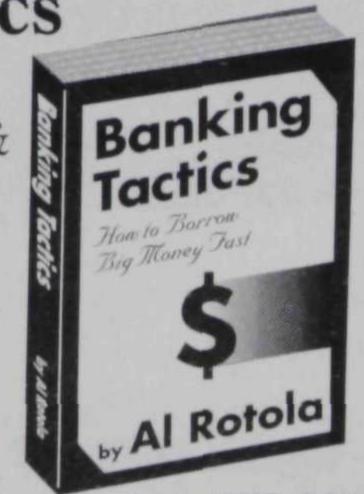
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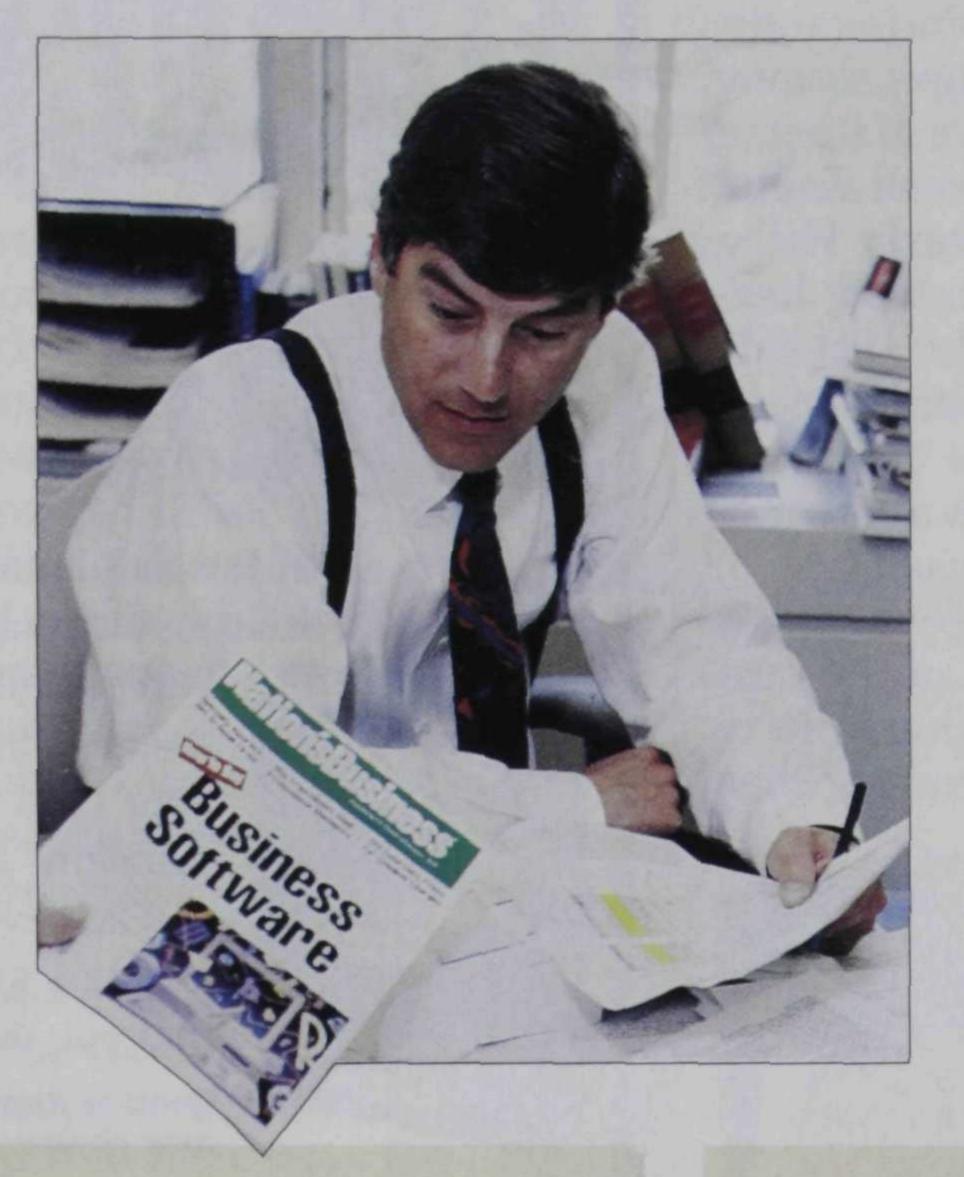


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**FAMILY BUSINESS** 

## Professionalizing A Family Business

A company takes steps to become more professional and position itself for the future.

By Sharon Nelton

hen Jameson "Jim" Crane reached his 70th birthday in March, Crane Plastics Co. announced a changing of the guard. Jim's niece Tanny Crane, 39, would become president and CEO of the Columbus, Ohio, company, and his son Michael S. Crane, 43, would become executive vice president. Jim would give up overseeing day-to-day operations and become chairman of Crane Group Inc., a holding company that includes Crane Plastics.

The event was significant for two reasons: It marked the succession of leadership of the third generation of Cranes at Crane Plastics, and it was a milestone in the continual professionalization of the 49year-old company, which, until a decade or so ago, was run quite informally.

"As family businesses grow and evolve, third- and fourth-generation companies find a new and different set of issues confronting them," says Mike Cohn, president of The Cohn Financial Group, Inc., a consulting firm in Phoenix.

Such challenges include the sharing of ownership with siblings and cousins and the dilution of ownership and control. At the same time, says Cohn, the business "may be professionalizing, moving away from entrepreneurial management styles."

Professionalizing, according to Cohn, demands that owners "mature in creating and respecting the boundaries between themselves and the family business." He says it also calls for developing a system of governance—the method of governing or managing a business.

Crane Plastics' journey toward professionalization began in the early 1980s. Jim and his brother, Robert Crane Jr., sons of the founder, were running the growing company, a custom plastic extruder and manufacturer of vinyl siding. The company now has 700 employees and \$130 million in annual sales.

Although Jim's son Jay was working in the company, Jim and Bob Crane tended to discourage family members from joining the business. "We simply felt that having family members in here would stymie the nonfamily people and would block their avenues for progression," recalls Jim.

But as the Crane brothers grew older, they realized they had to make some provision for the company's future. As they saw it, they had three choices: go public, sell it, or pass it on to a new generation of family leadership.

Their nonfamily managers urged them to keep the business in the family. "They certainly didn't want to be swallowed up

They were soon joined by Tim Miller, who is married to Tanny's sister. Including Jay, now a vice president, that brought to five the number of third-generation Cranes and in-laws in the family business. The company thrived in the 1980s, in

PHOTO: CJIM CALLAWAY

**Transfer of the reins** at Crane Plastics coincides with the rise of new management concepts. From left: CEO Tanny Crane; her cousin Michael S. Crane, executive vice president; and his father, Jameson "Jim" Crane, who gave up day-to-day control.

by some of the people who could acquire us," says Jim.

At the same time, Peter Eastwood, whom the Crane brothers had hired in 1980 as vice president of finance, began encouraging them to explore estate and succession planning. Bob and Jim each had four children. Bob (who died in 1992) began talking with Tanny, who had an M.B.A. in marketing and was working in Chicago, about returning to Columbus to join Crane Plastics, and Jim began talking with Mike, who was then a partner in a Columbus law firm.

About five years went by before Tanny, along with her husband, John Wolff, now vice president of new-business development, joined the company in 1987. Mike, who had served as the company's counsel while working in the law firm, went into the business two years later.

part because customers such as Andersen Windows and office-furniture maker Herman Miller Inc. were growing and the vinyl-siding market was thriving. But the new generation of Cranes asked how the company was preparing for the future.

Forces both inside and outside the company—including the level of experience that the younger generation brought to the firm—propelled Crane Plastics toward becoming more professional. Central to the process was the creation of a new governing structure consisting of four groups:

- A management committee made up of Tanny, Mike, and four key nonfamily managers. An outgrowth of an earlier, informal executive committee, it meets weekly and oversees day-to-day operations.
  - An internal siblings group—the

#### FAMILY BUSINESS

"sibs group"—made up of the third-generation cousins and siblings who work in the company. The sibs group has addressed the broad issues that can't be resolved by the management committee.

"We dealt with such issues as sibling compensation and other siblings joining the business," says Mike. The group also proposed that Tanny, who had served the company first as director of personnel and then as vice president of sales and marketing, be named president.

An expanded siblings committee, which includes all eight members of the third generation and their spouses. It plays an advisory role and provides a mechanism for communication about the business. It meets twice a year, and members receive monthly financial statements and other company information.

Tanny says the

internal sibs want the spouses and siblings who are not in the business "to be very involved in the strategic thinking of the business."

The siblings committee elects a chairperson who is not active in the business, and at each meeting two members-including one inactive sibling or spouse—are elected to plan the next meeting.

■ An advisory board whose members include the family members who are active in the business; three of the key nonfamily managers; Bob Crane's widow, Loann; the chairman of the expanded siblings committee; and three outside business leaders with no professional connection to the family or Crane Plastics.

"We did not want to be ingrown," says Jim. "We wanted to be able to have a broad view. We wanted to have people ask difficult questions."

Other steps the Crane family took to professionalize have included:

Strategic planning. The board and the siblings committee play a major role, but in 1989 the company hired a consultant to help it draw up a five-year strategic plan. Now it is engaged in a second round of fiveyear planning.

Adoption of more-professional compensation practices for family members. At first, in the interest of family harmony, all members of the third generation were paid the same.

Now they are paid according to their responsibilities and the going market rate for a given job.

Management development. The company recently sponsored a 14-week leadership-training program for 100 su-



#### How Professional Are You?

By Mike Cohn

The evolution of a family business from entrepreneurial man-"family first" orientation to one that is "business first."

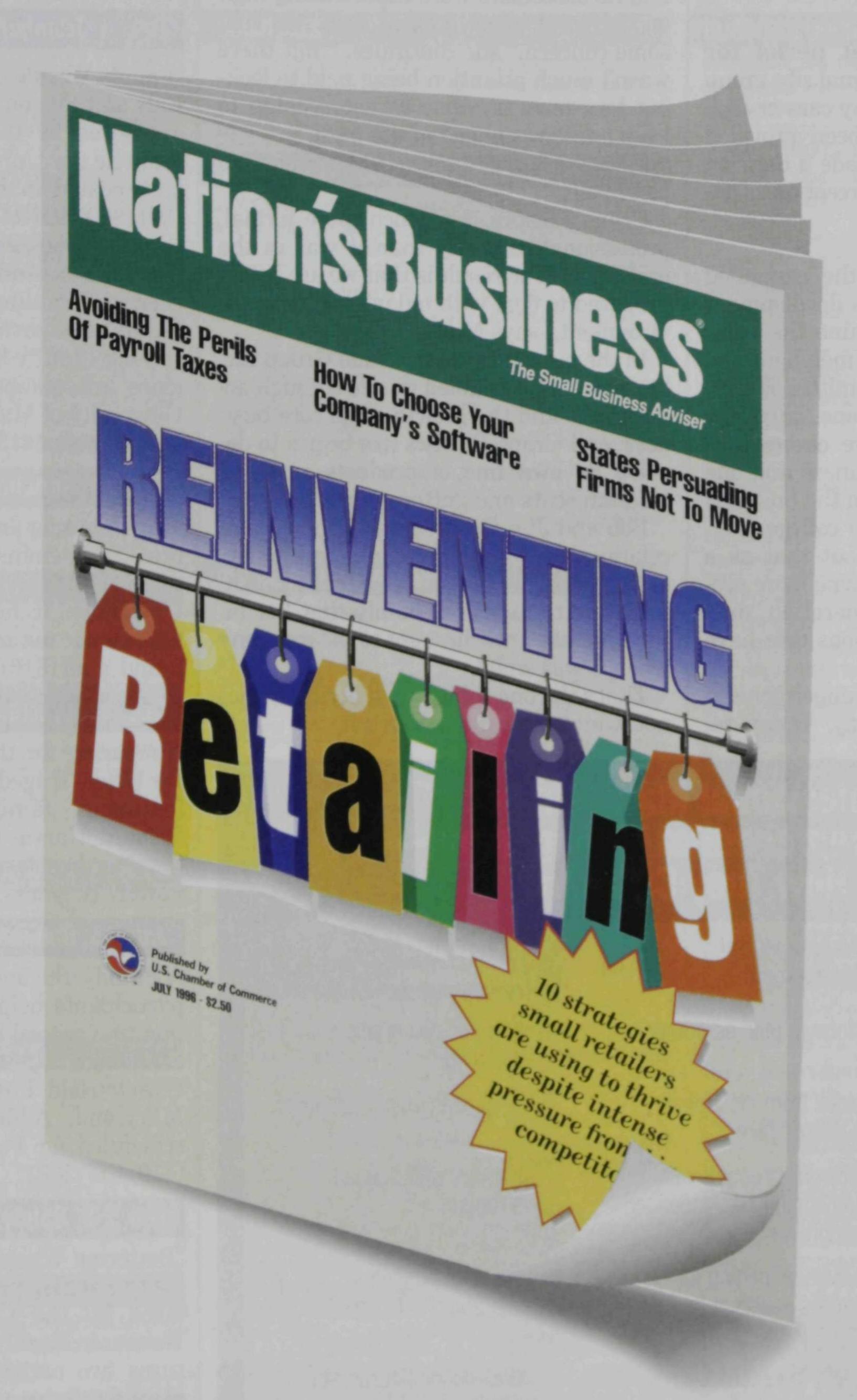
The board is made up solely of family members and close advisers.

your company's management. If you find that your business is best described by the characteristics in the "family first" column, you may need to work on making your company more

#### agement to professional management calls for moving from a Use the following checklist to assess the professionalism of professional. **Business First Family First** A place will be found in the company for all family members who want If you're qualified and there's an opening, you can apply for the to join or need a place to work. job. Equal pay for all family members. Pay is determined by responsibility, performance, and market rates. Leadership is based on education, experience, vision, commit-Leadership is bestowed on family members. ment, and management styles. It is open to talented nonfamily employees as well as family members. Title and authority are based on written job descriptions, qualifi-Title and authority are decided by birthright. Eldest males may have cations for the job, and clear reporting relationships. Company greater authority than younger siblings, regardless of education or exofficers control day-to-day operations. perience. Some families create two titles or jobs of equal clout to avoid choosing between siblings and cousins. Or bloodline heirs have an advantage over in-laws—regardless of competence—in becoming the CEO. Business resources are used for business purposes. Business Business resources are used for family perks. Vacation homes, cars, assets are acquired according to business needs, not personal boats, or antiques may be acquired with company funds and owned by the company but used exclusively (or 99.9 percent) by family memdesires. bers. Outside experience is more important than years of service in Outside experience may be seen as less valuable than years of service in the family business. the family firm. The family has clear boundaries and expectations as well as a Family members do whatever it takes to avoid family conflict. process for addressing conflict. Family leaders strive for family consensus. Family leaders insist on "all for one and one for all."

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#### **FAMILY BUSINESS**

pervisors and managers. Some managers have been sent to Harvard Business School's management-development program.

Elimination of special perks for family members. The internal sibs group decided not to have company cars or club memberships, which had been provided for previous officers. "We made a decision that we did not want a perception of favoritism," says Tanny.

nder discussion by the expanded siblings committee is development of a policy to determine the rules under which family members can join the business. The committee is considering two career paths—one for college graduates who demonstrate career success outside the family business and one for family members who join the business straight out of high school or college.

Consultant Cohn points out that as a family business seeks to become more professional, the younger generation may have to challenge some notions that have outlived their usefulness.

For example, when the younger generation arrived in the company, Tanny re-

calls, Crane Plastics abided by the old saying, "If it ain't broke, don't fix it." That was fine during the early 1980s, when Crane and its customers were experiencing high growth and good profits. But "we had some concern," she continues, "that there wasn't much attention being paid to looking long-term at what we were doing to keep ourselves ahead of the pack."

So the "if it ain't broke" rule itself had to be broken.

Crane Plastics is a much more formal, professional company than it was in the early '80s. "The result is that we are better prepared to deal with today's business environment," says Mike.

In the past nine years, Crane Group Inc. has more than doubled in size through acquisitions and the growth of its core business, and Crane Plastics has begun to develop its own line of products, such as stadium seats and gutter guards.

Bob and Jim Crane always had a close relationship with the company's employees. The challenge now, says Tanny, is to maintain the sense of family that her father and her uncle brought to the company when it was small.

That's the one thing her generation does not want to lose.

NB

#### MARK YOUR CALENDAR

#### Dec. 4, Trumbull, Conn.

"Family Business Folklore—Lessons from Fact and Fiction" is the topic of a meeting sponsored by the Family Business Program at the University of Connecticut. To be repeated in Berlin, Conn., on Dec. 5. Call (860) 486-4483.

#### Dec. 10, Agawam, Mass.

"Perils of Pauline's Family Business" is a drama that involves the audience in resolving family-business problems. For more information, call Ira Bryck at the University of Massachusetts Family Business Center; (413) 545-1537.

#### Dec. 11, Jericho, N.Y.

"Tax Planning for Family Businesses" is a breakfast seminar sponsored by the Center for Family Business of Long Island University. It features Raymond Russolillo, senior tax manager of Coopers & Lybrand. Call (516) 299-2236.

#### Dec. 12, Weston, Mass.

"Preparing for the Unexpected: What To Do When Tragedy Strikes" is a workshop featuring family-business consultant Richard Narva. Call Paul I. Karofsky of the Northeastern University Center for Family Business; (617) 320-8015.

#### Jan. 15, Baltimore

A Family Business Roundtable, at which participants help develop a feasible solution to a critical business problem, will be conducted by the Loyola Center for Closely-Held Firms at Loyola College in Maryland. Additional roundtables are scheduled for Feb. 27 and May 22. Call (410) 617-2691.

#### Feb. 2-5, Safety Harbor, Fla.

"Bettering What We Do Best: The Strategic Use of Self for Change" is a seminar offered by the Continuing Program for Women in Family-Owned Business. It features two nationally known consultants, Matilde Salganicoff and Fredda Herz Brown. For additional information, call the Family Business Learning Institute; (201) 461-7356.

#### **How To Get Listed**

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

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Organization	Informal, plan as you go.	Formal, systematic planning.
Leadership	Varies from dictatorial to laissez-faire.	Consultative, participative.
Control	Informal structure with overlapping and undefined responsibilities.	Formal, well-defined structure.
Management Development	Individual training for specific needs at the time; learn as you go.	Training, education integrated with goals.
Culture	Family-oriented, tradition-bound.	Well-defined corporate identity.
Budgeting	Usually not clear-cut; changes as needs arise.	Based on industry standards and corporate goals.
Profit	Seen as a byproduct.	Seen as an important goal.
Information And Communication	Information guarded and shared on a need-to-know basis. Communication informal, on-the-fly.	Open, shared information. Regularly scheduled interactive forums.

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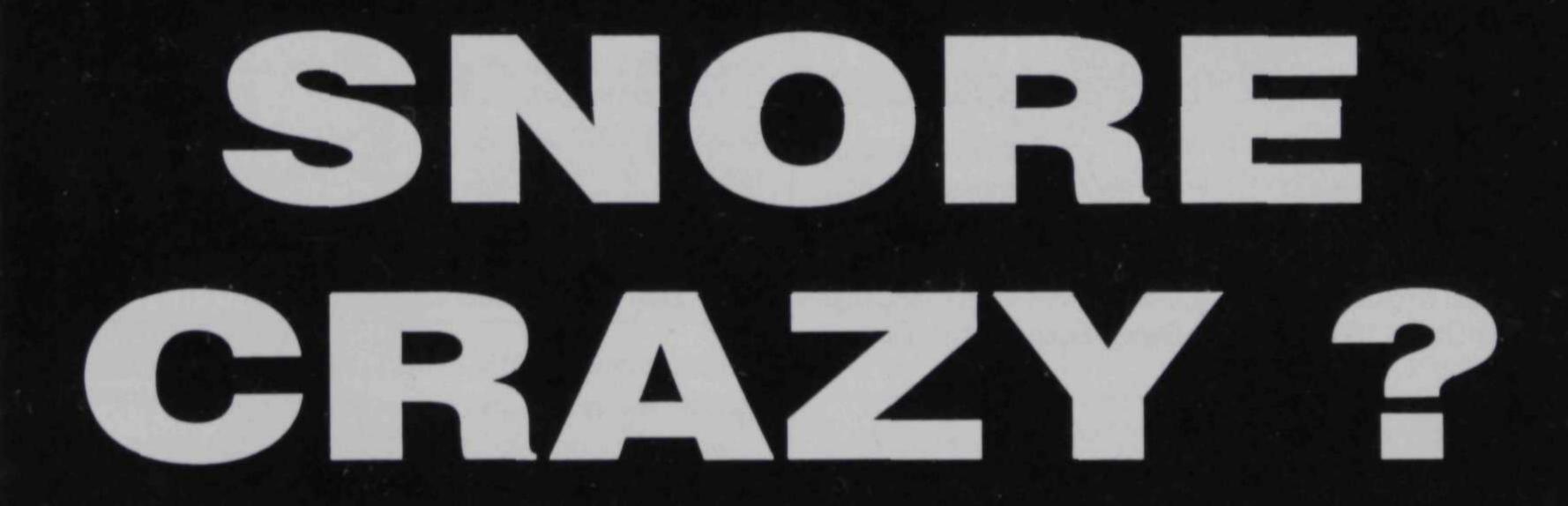
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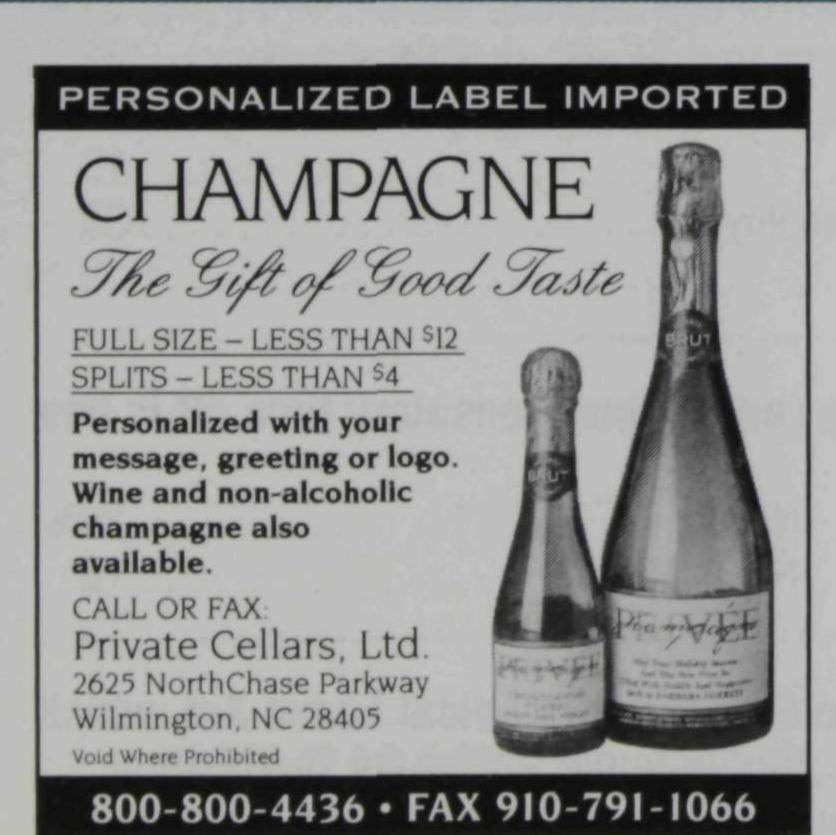
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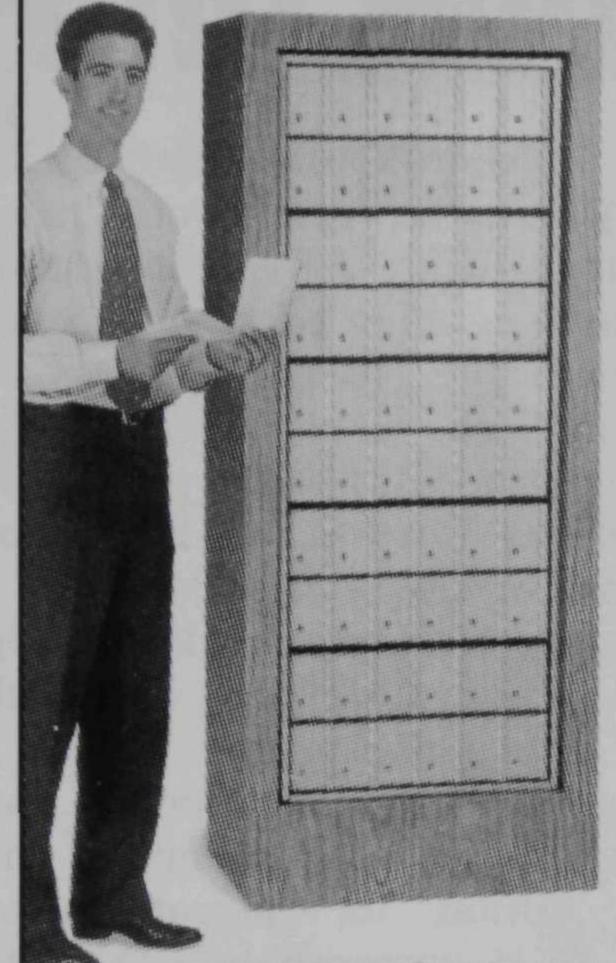
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#### **October Poll Results** Readers' Views

#### **Time Off For Workers**

eform of federal labor laws to let Remployers offer employees com-pensatory time off rather than overtime pay is a major concern to small business, according to responses to a recent Where I Stand poll. Nearly onethird of the respondents to the poll in the October Nation's Business said they favor such a change in comp-time rules.

Almost half of the respondents said their employees sometimes or often ask for time off instead of overtime.

Republican-backed legislation in the last Congress would have permitted the comp-time option for private-sector employees; it is currently available to employees in the public sector. In addition, President Clinton proposed expanding the Family and Medical Leave Act to permit more unpaid time off for workers to tend to family and medical matters. Congress adjourned without passing either proposal.

The Where I Stand poll indicated that a majority of employers feel that reform of the comp-time laws would lead to less use of the Family and Medical Leave Act. There appeared to be little use of the law as it is, however. One in 10 respondents reported moderate or substantial use of the law by their employees, and twothirds reported no use at all.

One-third of the respondents to the survey said their top choice for a labor-law reform would be the freedom to reject union organizers as employees. Some organizers try to get hired in nonunion firms for the purpose of forming a union, a practice known as salting.

Here are the survey's complete results:



#### **Ouestions And Answers**

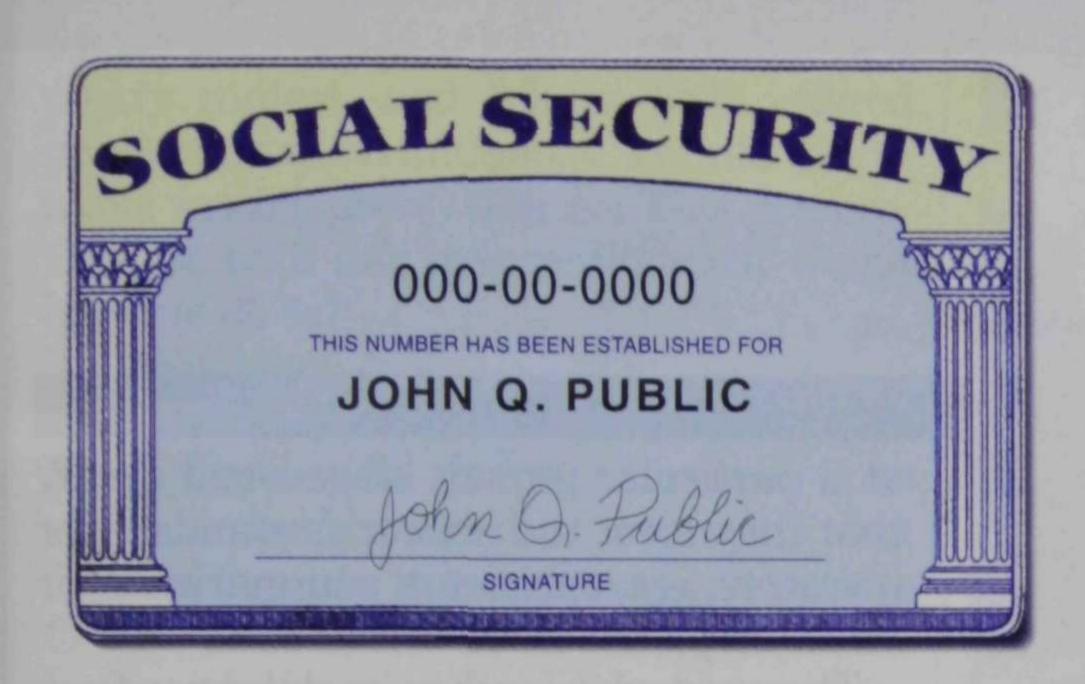
What labor-law reform is most important to you? Permitting formation of employer-employee teams to deal with workplace issues .... 13 Allowing bonuses for workers without having to recalculate their pay rates How frequently do your hourly employees request compensatory time off in lieu of overtime pay? How much have your employees used the Family and Medical Leave Act, which

allows workers to take up to 12 weeks of unpaid leave a year for the birth or adoption of a child or to deal with a serious illness of the employee or a family

Do you think reform of the comp-time laws would lead to less use of the Family and Medical Leave Act?

Are any of your workers represented by a union?

## Where I Stand



### SOCIAL SECURITY On Social Security

The Social Security system is on its way to fiscal calamity unless major changes are made to accommodate a huge increase in beneficiaries in the 21st century. These questions seek your views on this subject.

Results of this poll will appear in the February issue of *Nation's Business* and will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636.

## What is your view of the projected financial shortfall of the Social Security system?

- 1. Very serious
- 2. Somewhat serious
- 3. Not serious at all

Should the major work on restructuring the Social Security system begin now, or can the projected problems be left for future presidents and Congresses to solve?

- 1. Major reform efforts should begin now
- 2. Leave the system's problems for future presidents and Congresses

Under current law, the age at which retirees can begin drawing full benefits will be raised gradually to 67 from 65 over the next 30 years. Should Congress raise the age even more?

- 1. Yes
- 2. No
- 3. Undecided

Should wealthy recipients receive smaller benefits than those at lower income levels?

- 1. Yes
- 2. No
- 3. Undecided

Should future cost-of-living increases in Social Security benefits be reduced to shore up the system's reserves?

- 1. Yes
- 2. No
- 3. Undecided

Should the Social Security payroll tax—currently 6.2 percent of wages for employers and 6.2 percent for employees—be increased to build up reserves necessary to maintain present benefits?

- 1. Raise the employer portion of the tax only
- 2. Raise the employee portion of the tax only
- 3. Raise both portions
- 4. Raise neither

Should part of Social Security taxes be invested in private financial markets to build up reserves for future payments?

- 1. Yes
- 2. No
- 3. Undecided

If part of Social Security revenues were invested in private financial markets, who should make the investment decisions?

- 1. The Social Security Administration
- 2. Individual taxpayers

### Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Michael Barrier

#### INVESTING

#### When Dollars Need A Home

I am a wealthy private investor looking for established and profitable small to medium-sized niche manufacturing companies—\$10 million to \$60 million in annual sales—with which I can partner in hopes of generating growth in their business and my capital. I would like to find companies where some or all of the executives are willing to invest some of their personal money as well. Are there sources or databases of such companies that are seeking private

capital or have shareholders who wish to gain liquidity for all or a portion of their ownership?

J.M.J., Chattanooga, Tenn.

Your question touches on a continuing problem: how to match relatively small investors—"angels," they're frequently called—with small companies that would welcome their help.

"Typically," says Jeff Sohl, director of the Center for Venture Research, at the University of New Hampshire, "high-networth investors run in the same crowds, so it's easy for them to find each other" through informal networking; and they can lead each other to investment opportunities.

Slightly more formal are investment clubs whose members screen entrepreneurs who are seeking funding; these investors sometimes invest together.

The third avenue consists of computerized "angel networks" that match entrepreneurs with private investors. The first such network, the Venture Capital Network,

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Have a business-related question? Mail or fax your typewritten query to Direct Line, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Or transmit your question to our CompuServe address: 76436,1735. Be sure to include your address and telephone number.

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was formed in 1979 at the University of New Hampshire. It's now at the Massachusetts Institute of Technology and is called the Technology Capital Network (290 Main St., Cambridge, Mass. 02142; 617-253-7163). Sohl says perhaps a dozen other matchmaking networks have sprung up, mainly on the East and West coasts.

In an "angel network," investors state their investment criteria or preferences—

certain industries, for example, or companies

#### **Show Business**

am from a town of 5,000 people; it has only one movie theater, and the building is soon to

be condemned. Where can I get information on opening a twin-screen theater? G.H., Bemidji, Minn.

(A similar question was received from D.G., Columbus, Ohio.)

The National Association of Theater Owners may eventually publish a guide to opening a theater, but for now your best bet most likely is to find a consultant who is knowledgeable about the business. One source of such consultants is American Entertainment Services, Inc., which has offices in Edina, Minn., and Palm Harbor, Fla. Victor Gattuso, its president, says the company works with several dozen consultants who are expert in various phases of movie exhibition—everything from market research to theater construction.

Movie exhibition is a chancy business these days, Gattuso warns, because "there at a particular growth stage—and certify that they meet the network's standard for investors; entrepreneurs summarize their business plans and financial data.

The network searches its database for a good fit and sends information to the investors whose criteria match what the Technology Capital Network calls "the opportunity profile." When an investor is interested, the network arranges an introduction, but both sides remain anonymous until then. The MIT network and those like it are nonprofit and charge a flat fee rather than a commission.

Despite the protection offered by the networks' pervasive anonymity, there is a drawback, says Sandra Nola, associate director of the Dingman Center for Entrepreneurship, at the University of Maryland. She points out that "angels" who might be interested in going in together to invest in a company can't do so if they aren't aware of one another's interest. A company whose needs are too great for one "angel" to meet but are within the reach of several thus might be deprived of funding that should be readily available.

are too many screens," and the number of movies released is declining.

American Entertainment Services is at 3763 Executive Drive, Palm Harbor, Fla. 34685; (813) 785-6140.

#### A Concept With A Kick

My wife and I would like information on building an indoor-soccer complex.

O.C., Arcadia, Calif.

(A similar question was received from M.G.D., Clinton, Md.)

There is as yet no industry association for such indoor-soccer complexes. The closest thing to it is the National Indoor Soccer Council, based in Kansas City, Mo., a marketing company that was set up three years ago to organize a national indoorsoccer championship competition.

Andy Barney, an executive of the council, estimates that there are now 250 such arenas around the country, and he is glad to take calls from people who are interested in building more; he can be reached at 1-800-877-3790.

## CAREERS

# **Chapter And Verse**

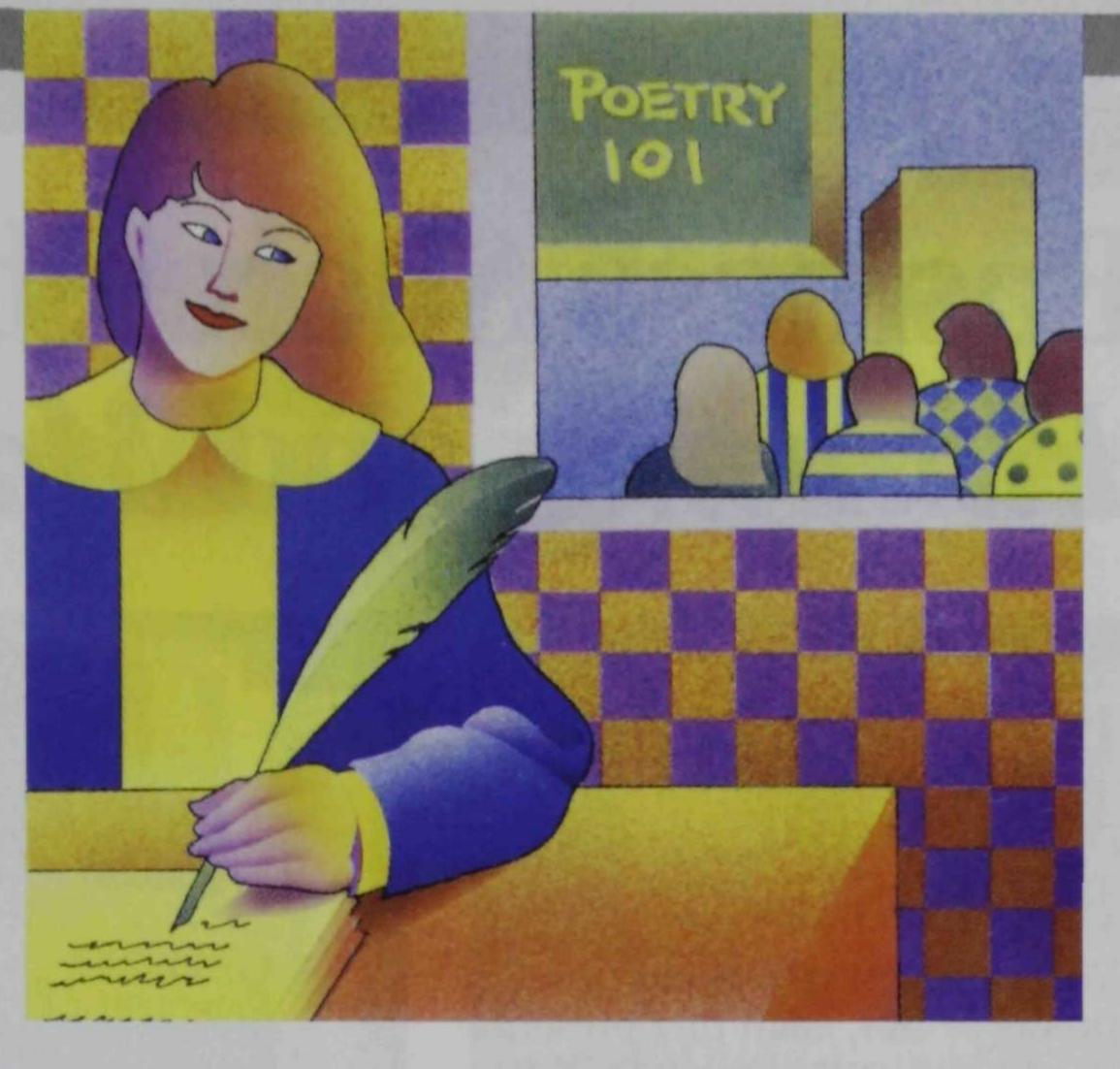
I am a 35-year-old woman who has enjoyed writing poetry since I was a teenager. I have been selected as a semifinalist in a poetry contest, and I have been offered publication in an anthology. I would like to make writing poetry a career. Can you provide me with any information that would help me do so?

A.B., Brooklyn, N.Y.

Many a successful company has been born when someone decided to turn what they loved doing into the subject of a Schedule C tax return. But not every avocation lends itself to such a transformation. These are not flush times in the poetry business.

"It's very difficult to make your living as a poet," says Elise Paschen, executive director of the Poetry Society of America, a nonprofit organization based in New York City. "If you were to spend every single day writing poems and even getting your books published, and maybe even winning major poetry prizes, it would still be very difficult to support yourself."

Elliot Figman, executive director of Poets & Writers, Inc., a New York-based information clearinghouse for writers, says there are "maybe a handful of poets"



who can actually support themselves from their poetry alone. Most have other employment.

"Most magazines, when they publish a poem or group of poems, pay little or nothing."

Teaching is the answer for many poets, says Brenda Shaughnessy, a staff member of the Academy of American Poets, another nonprofit organization in New York; other poets support themselves by patching together a series of grants.

"It really does depend on how much

you're publishing," according to Shaughnessy. "Someone who has won the Pulitzer Prize and [National Endowment for the Arts] grants is going to find it very easy to find a teaching position. Someone who is just starting out is going to have a much tougher time."

The academy grants annual fellowships of \$100,000 and \$20,000, but those awards are open by nomination only.

Other awards are open to the public—the Walt Whitman Award, for example, for poets who have not published a book of poetry before. The prize is \$5,000 and publication of the

winner's manuscript.

To obtain guidelines for the Whitman Award, write or call the Academy of American Poets at 584 Broadway, Suite 1208, New York, N.Y. 10012-3250; (212) 274-0343.

General advice is available from the Information Center, Poets & Writers, Inc., 72 Spring St., New York, N.Y. 10012. And aspiring writers in any field should check reference works such as *Literary Marketplace*, available at most public libraries.

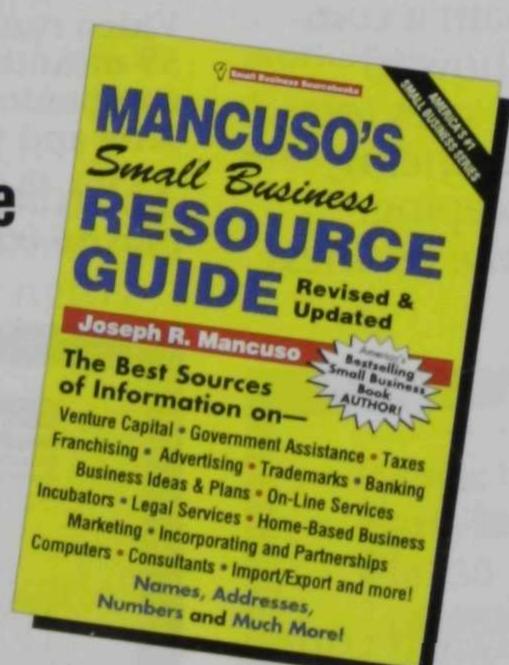
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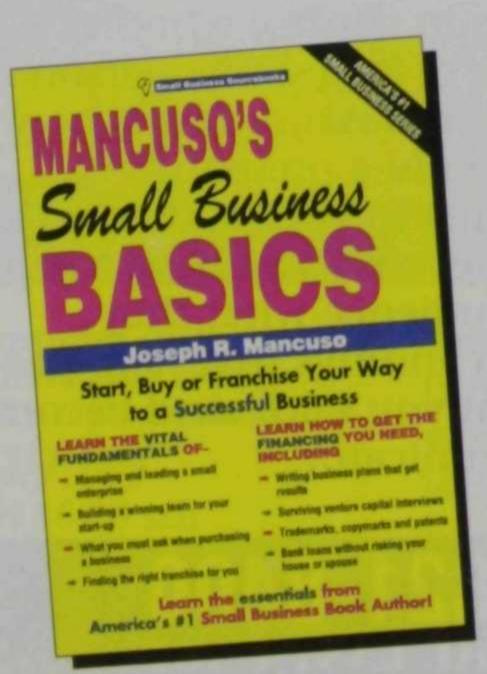
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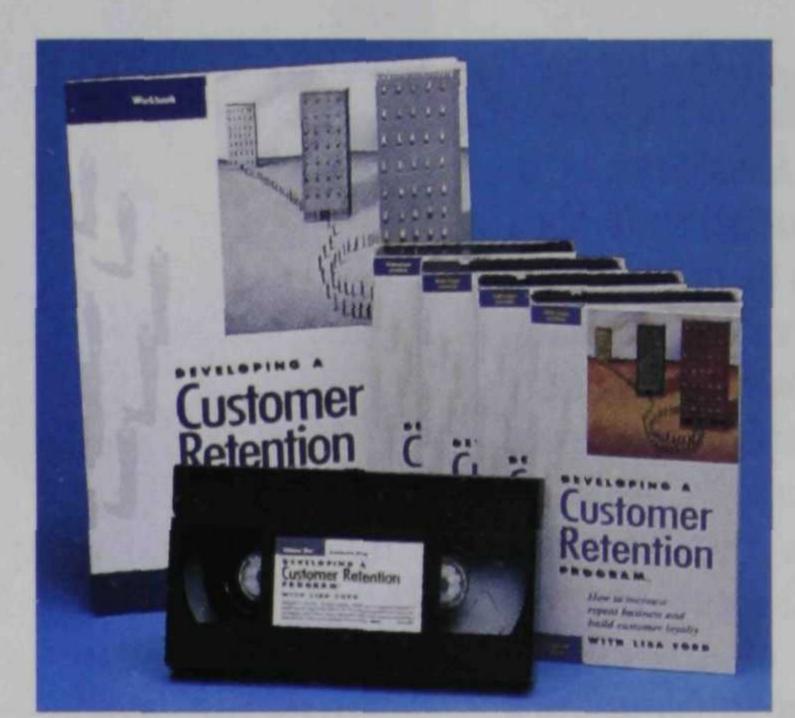
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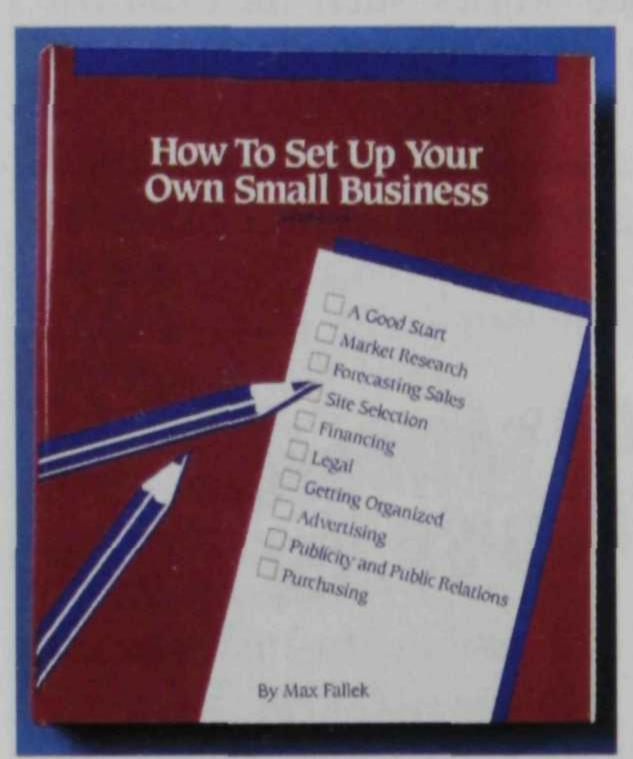
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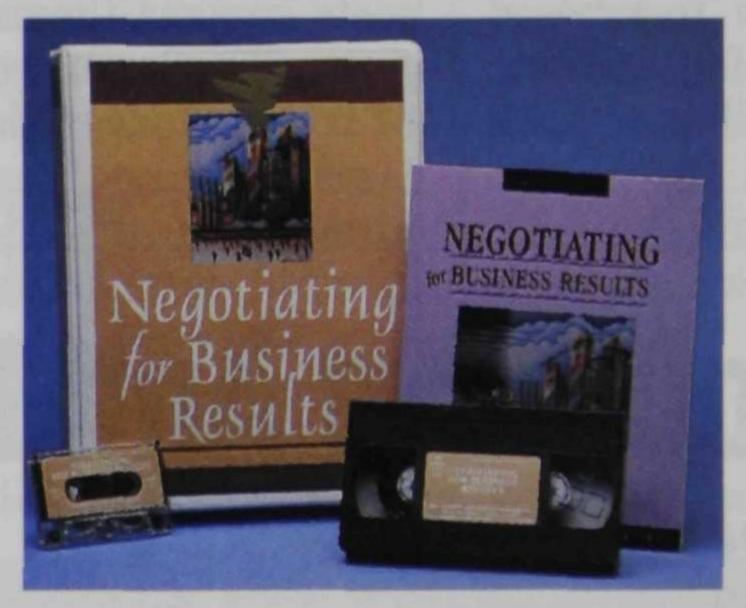
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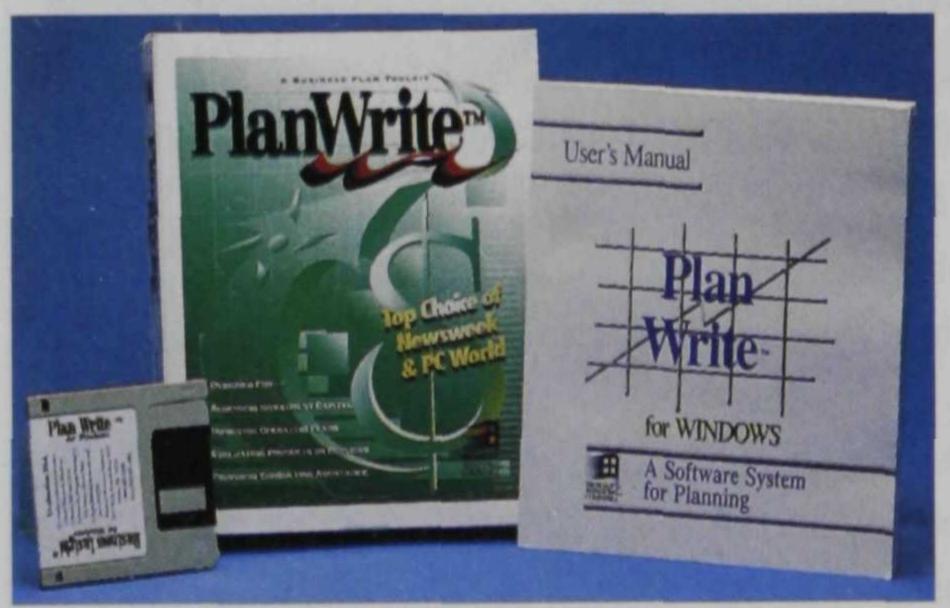
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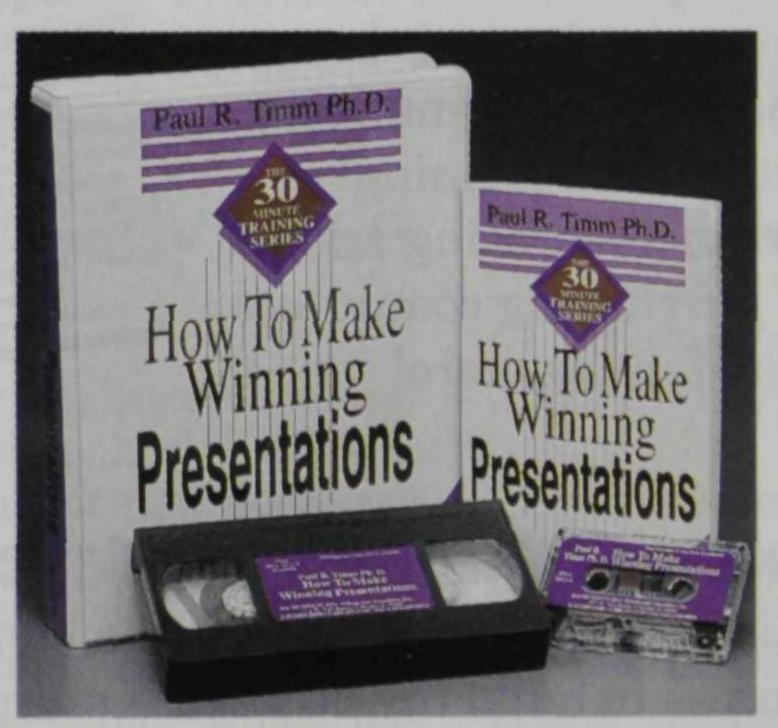
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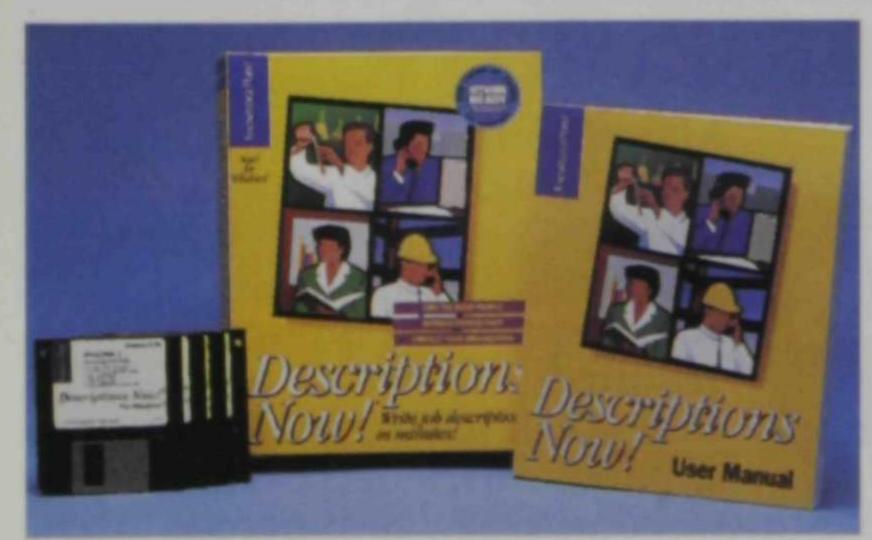
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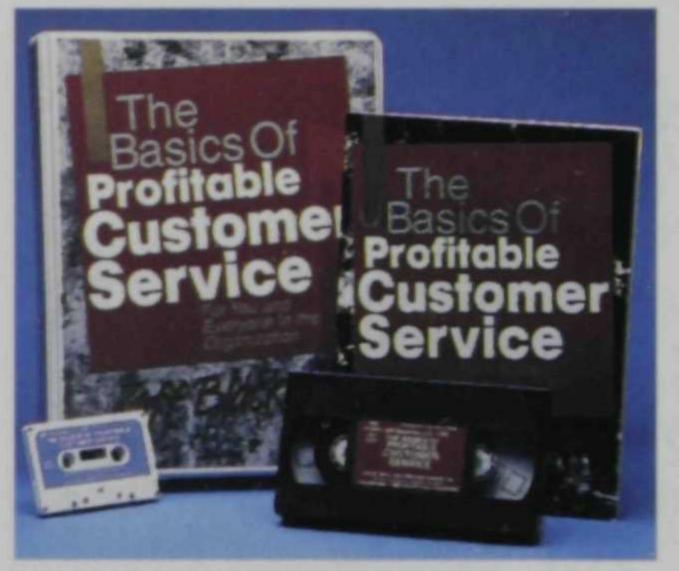
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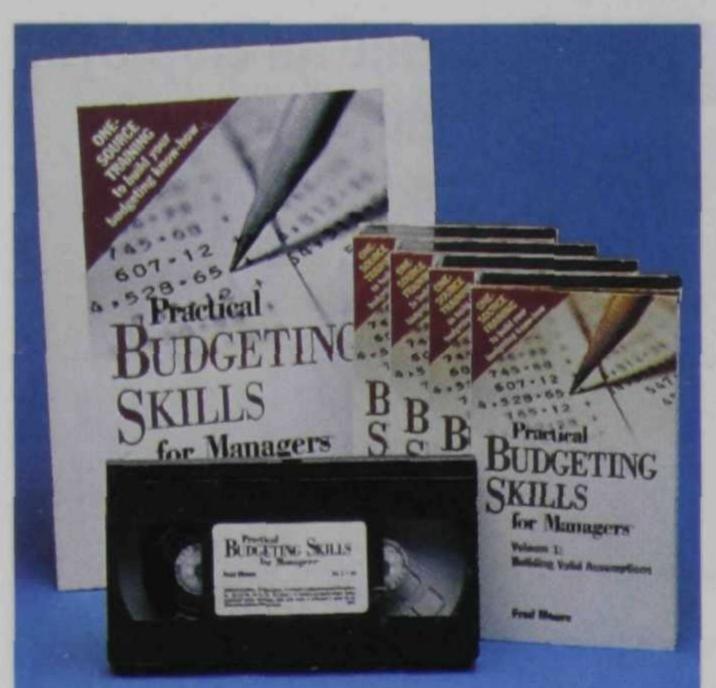
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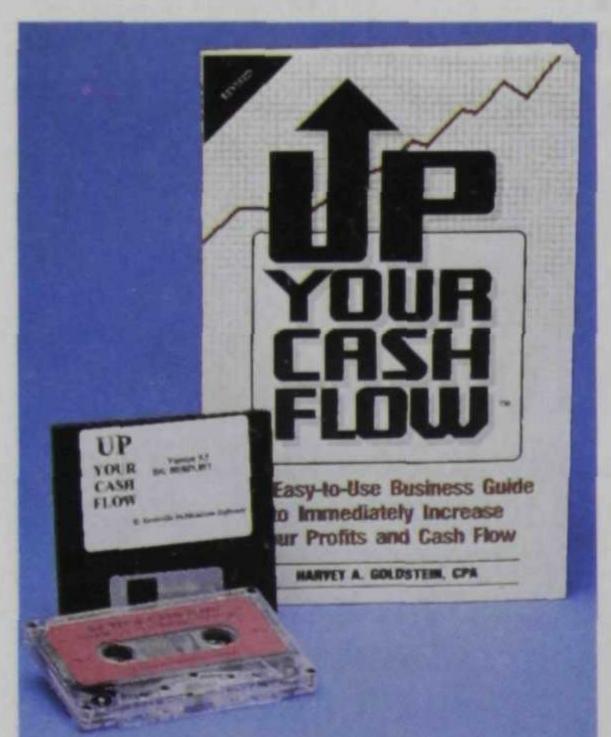
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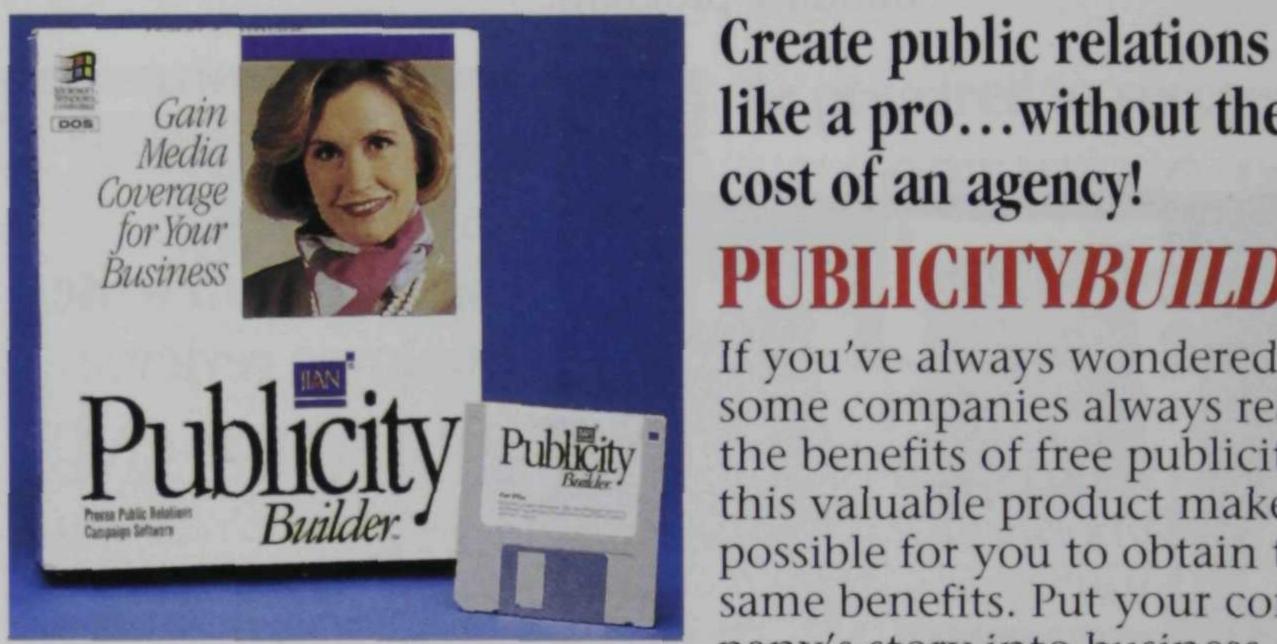
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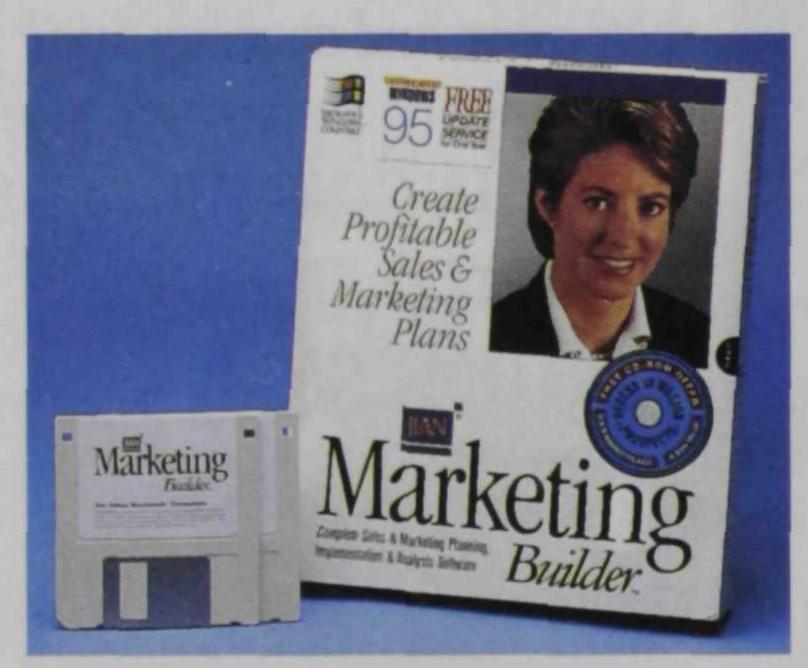
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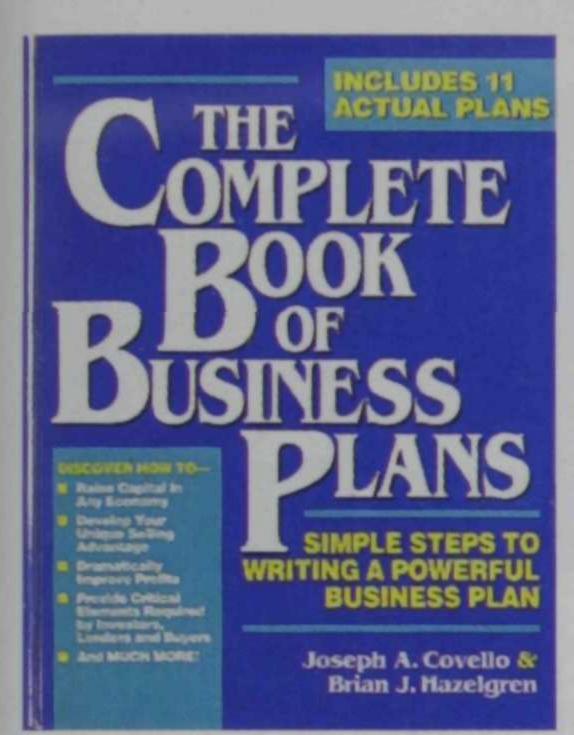
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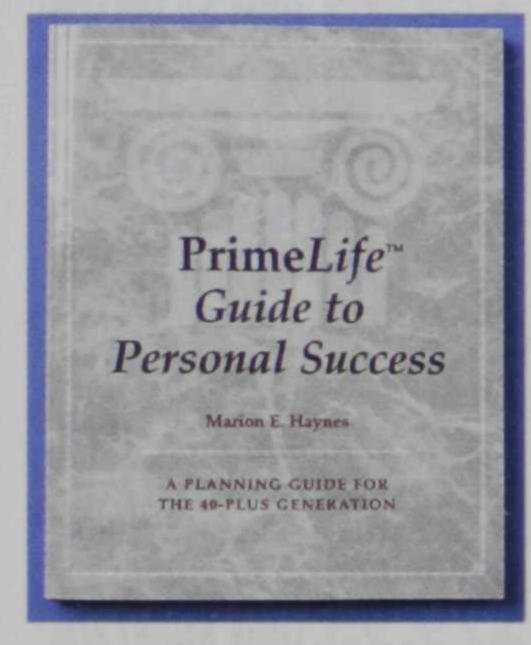
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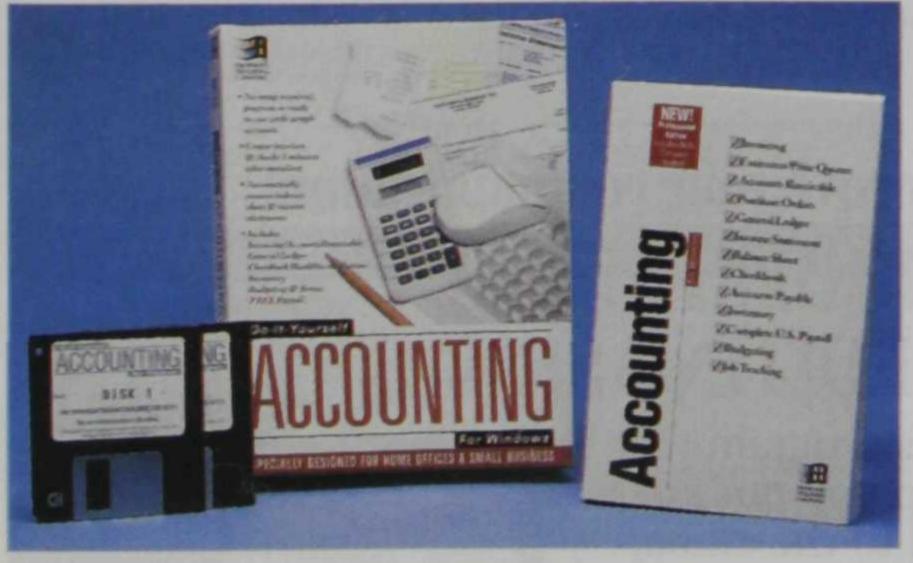
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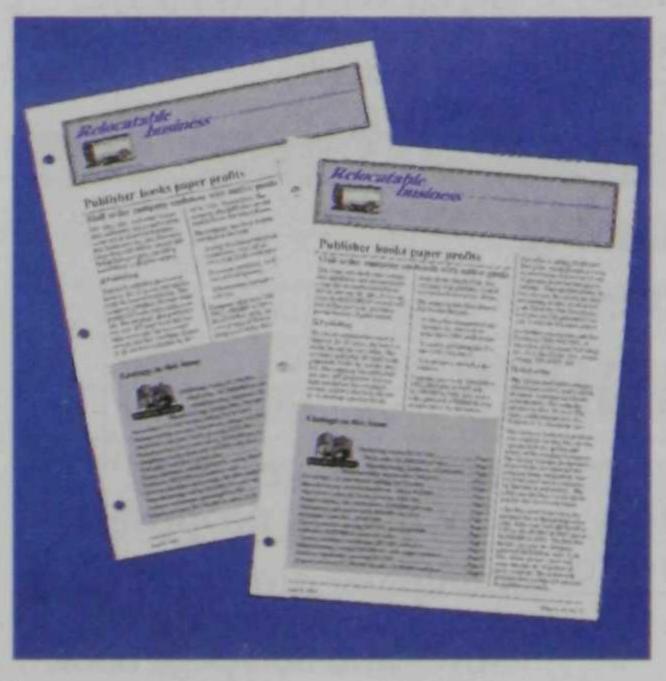
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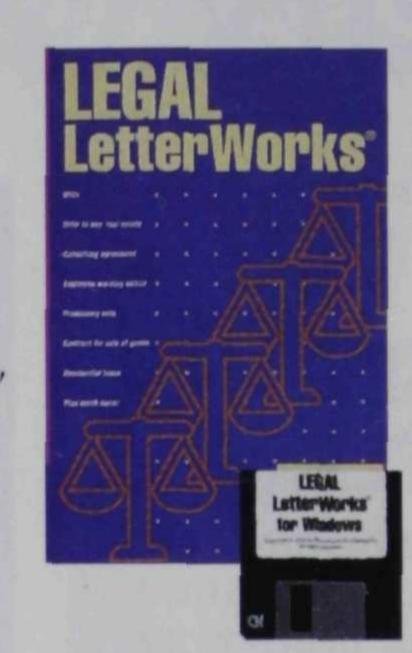
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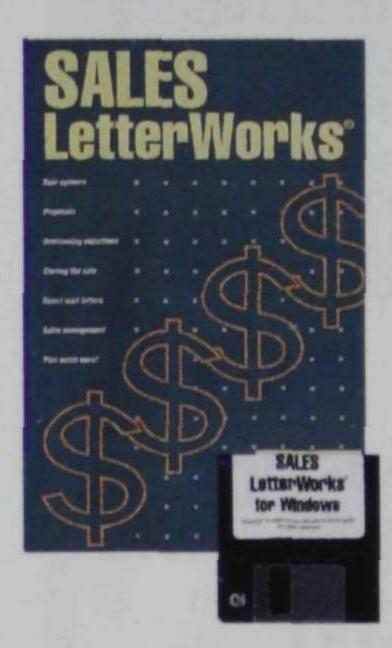
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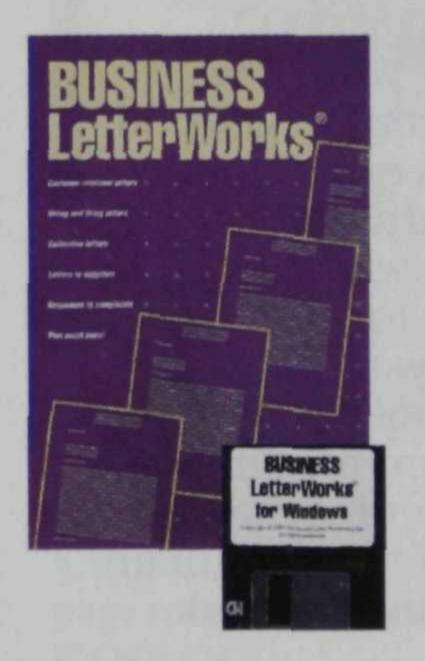
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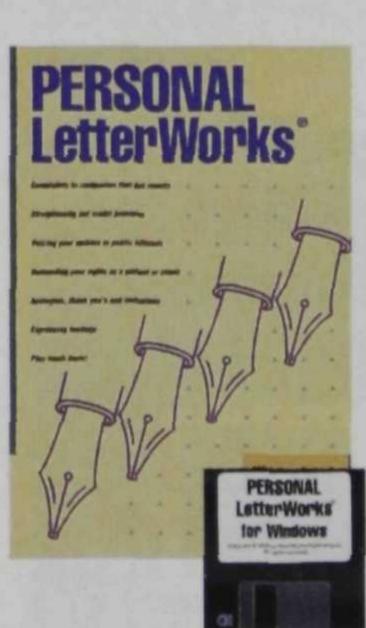
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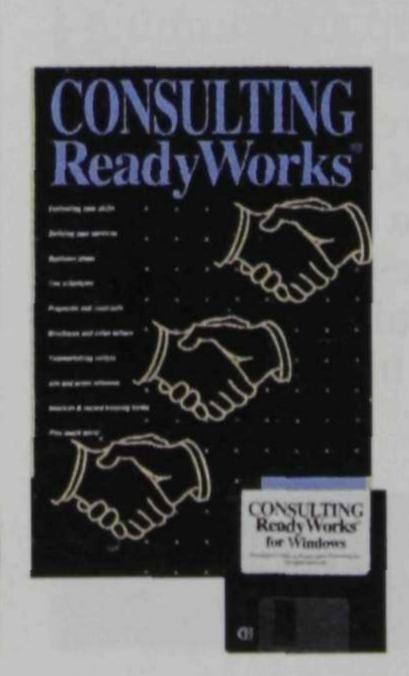
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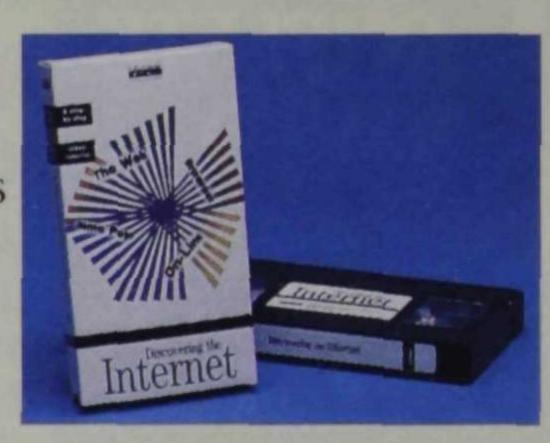
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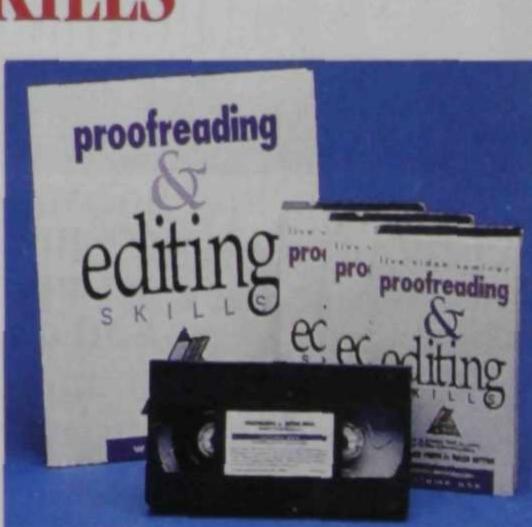
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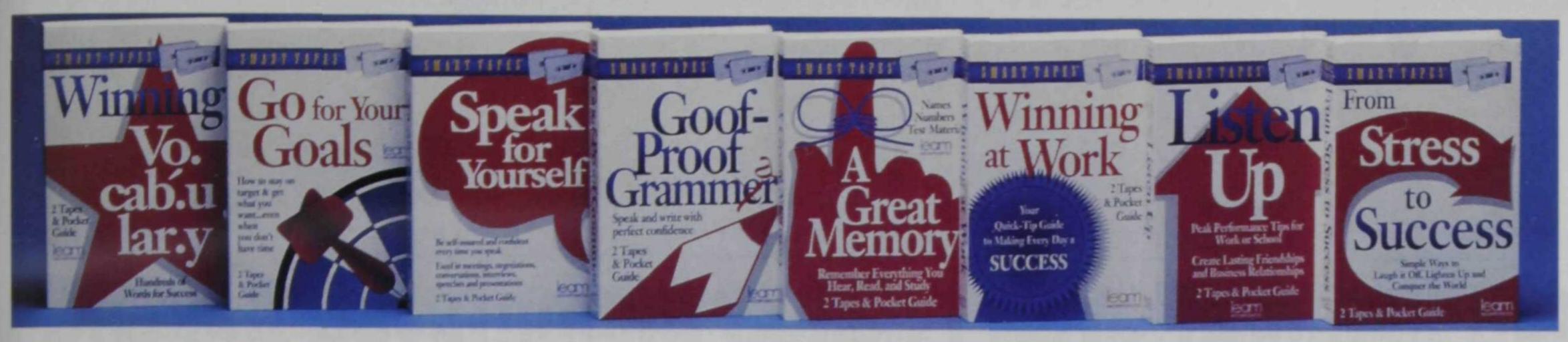
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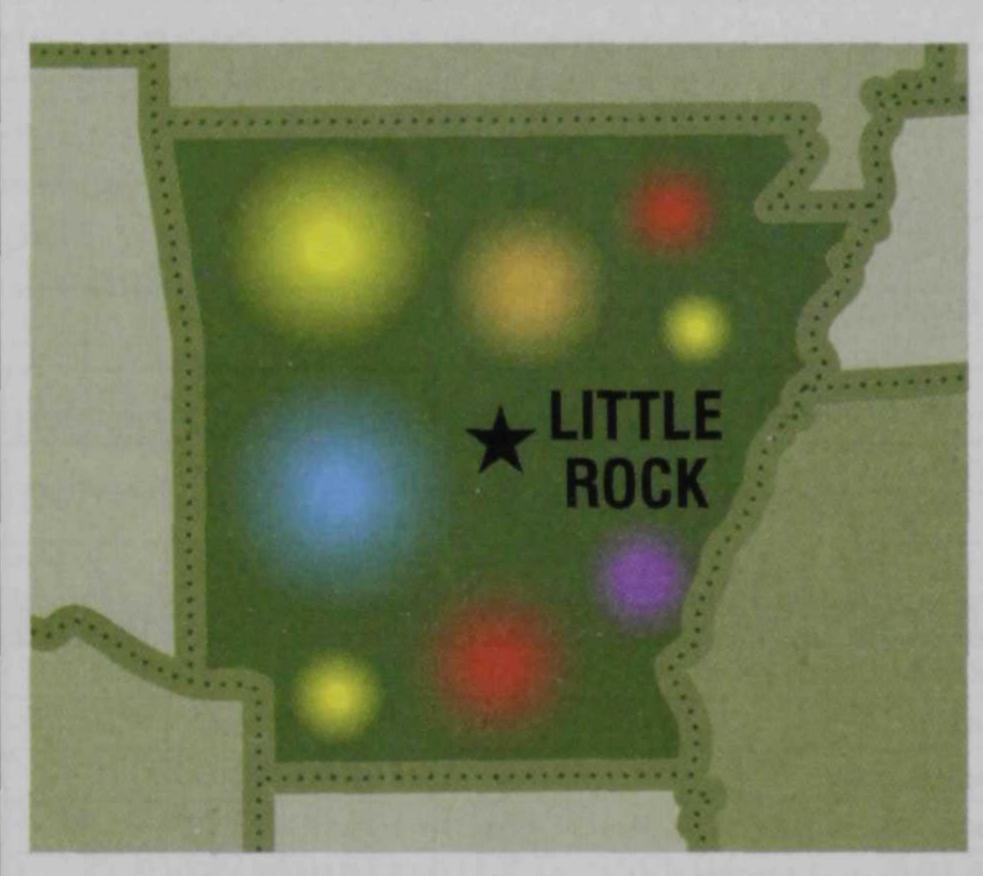
# Free-Spirited Enterprise

By Michael Barrier

# An Osborne Update

With Christmas close at hand, it seems an appropriate time to bring you up to date on the activities of Jennings Osborne. He is, you may recall, the Little Rock, Ark., businessman who decorated his home (and two adjacent houses that he bought) with 3 million lights, attracting thousands of gawkers and earning him the wrath of his neighbors and ultimately the Arkansas Supreme Court.

Last year, the court shut down Osborne's display, and he wound up lending his lights to illuminate the "residential street" on the Disney-MGM



Studios lot at Walt Disney World in Florida.

This year, Osborne is lighting up Disney's street with more than 3 million lights, up from 1995's 2 million. Beyond that, it appears that Osborne—having been denied the opportunity to light up his own neighborhood—is going to light up a large part of the rest of Arkansas instead. He decorated the Little Rock Zoo and some other local sites last year, and he has been planning even more displays at nonresidential

sites this year, in Little Rock and five other Arkansas cities— Hot Springs, Hamburg, Searcy, Magnet Cove, and Helena.

Osborne was decorating his own home, the glow was clearly visible from passing airplanes. With the way things are going, we can envision a day when the whole state of Arkansas is covered in Osborne's lights, except for one dark spot around his house.

Osborne filed for personal bankruptcy last year, in a dispute with the Internal Revenue Service over back taxes the agency said he owed. In October, he paid all his other creditors everything he owed them, plus interest, as he had promised he would once he got

judicial approval.
His dispute with
the IRS appears
headed for trial,
though.

Robert Lowry,
Osborne's attorney, says he has
won the right to
dig into the IRS's
own records and
question its
agents in search
of what he
believes are its
less-than-pure
motives for going

after Osborne. This case thus promises to be at least as entertaining as any of Osborne's light displays.

One possible collaboration that Osborne was talking about a few months ago won't be coming off after all. The idea was that the Walt Disney Co. and the Coca-Cola Co. would cosponsor a nationwide contest, with the winner to get Osborne's decorating services as the prize—he'd light up the winner's house in time for Christmas.

Now that that idea has been scrapped, we have to wonder: Did someone at Coke or Disney figure out that they might have to provide free legal services along with the lights?

# Stocking Stuffers

What to buy for the small-business person who wants—excuse us, has—everything? A lot of materials describing a lot of products pass through our in-box on their way to the wastebasket, but a few manage to rise up from the inexorable flow and claim our attention. Among them:

The Business Traveler's Guide to Inns & B&Bs is a piece of software that lets you roam around from state to state, checking out bed-and-breakfast places that can accommodate a business traveler's needs. You can find out, for instance, which B&Bs have conference facilities and which have "access to business machines" (elastic terminology that would embrace at least a fax in most cases). The software runs on Windows 3.1.

We played around with the guide for a while and liked it, although we didn't find a suitable B&B at the destinations we had in mind. We'd like it even better if (1) it included more inns and (2) there was some way to narrow its geographic focus within a state. Perhaps those features will come if the guide sells well enough.

The publisher says a second edition is not yet in the works.

It's been our experience that B&Bs can sometimes be a welcome change of pace for the hotel-surfeited business traveler, especially when you're going to be in one place for a while; we have particularly fond memories of the now-defunct Eastlake Inn in Los Angeles.

You can order *The Business Traveler's Guide to Inns & B&Bs* from Williams Hill Publishing, R.R. 1, Box 1234, Grafton, N.H. 03240; (603) 523-7877. The price is \$15, plus \$3 for shipping.

Desk calendars are a glut on the market at this time of year, of course, and a lot of them

are so cute that they make our teeth hurt, but we've run across a couple that seem genuinely useful—the kind that make you look forward to tearing off each day's new leaf.

One is titled 365 Sales Tips for Winning Business (Day Dream, Inc., \$9.99); each page of the calendar delivers exactly what it promises.

Inevitably, given

TIP OF

THE DAY

their number, some of the tips are a little superficial, and a lot of them will sound familiar to experienced salespeople—but that's probably just the point.

The calendar isn't a course in salesmanship but rather a daily reminder of what works.

Another appealing calendar is *Merriam Webster's 365 New Words Calendar* (Workman Publishing, \$8.95). Not only do you get a new word and its definition every day (use "fugleman" in conversation and amaze your friends), you also get its history.

JSTRATIONS: GEORGIA LEIGH MCDONALD

# Editoria

# Divided Government Doesn't Have To Mean Stalemate

As they have done frequently in the past, U.S. voters decided on Nov. 5 in favor of divided government.

Those citizens have forcefully invoked the doctrine of checks and balances inherent in our form of government, with its provision for separate selection of a chief executive and the national legislature.

Each independent branch can support, modify, or even block initiatives of the other.

The early days of the new year will see the inauguration of a Democratic president for his second term and the convening of a second successive Republican-controlled Congress. (The United States hasn't seen one GOP-dominated Congress replace another since 1928.)

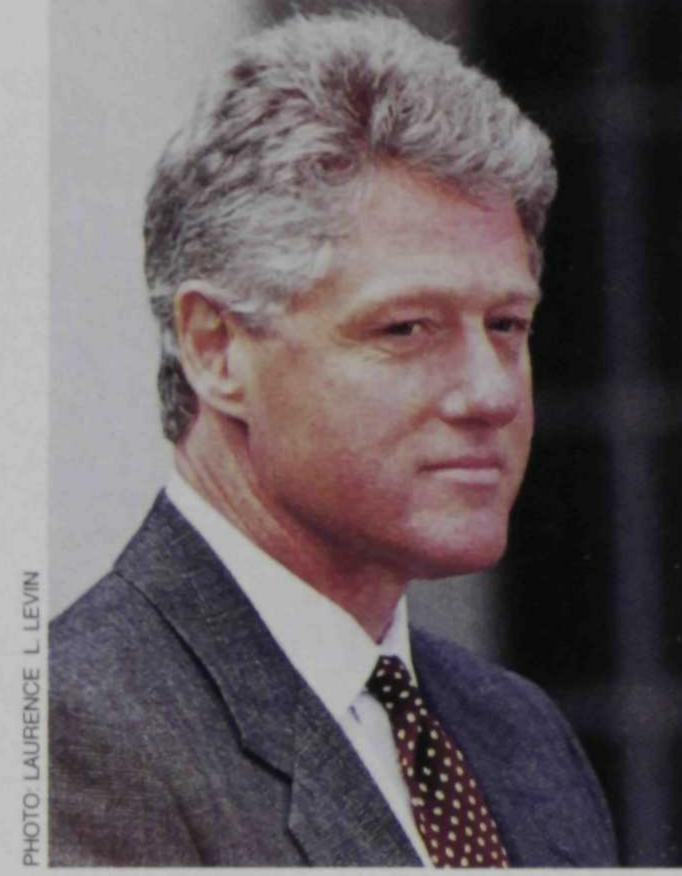
Most business people had hoped for a different presidential outcome. They saw the 1994 off-year elections, which put control of Congress in the hands of Republicans committed to cutting spending, taxes, and regulation, as the prelude to the 1996 election of a chief executive sympathetic to those goals.

It did indeed appear that President Clinton was highly vulnerable in the face of a strong Republican comeback.

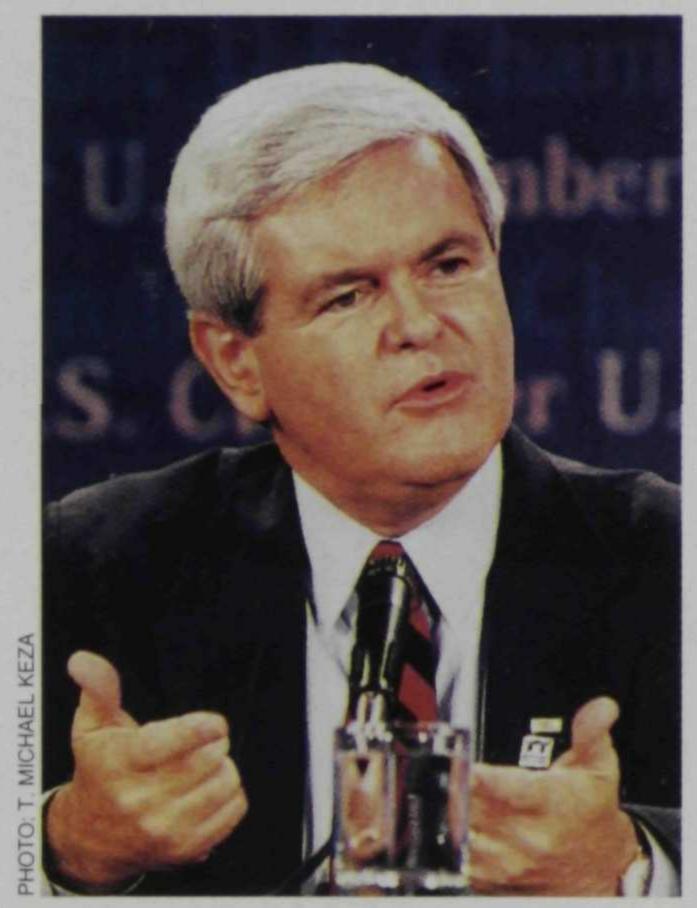
Political experts are already deep into their analyses of why the GOP could not follow up on its spectacular 1994 success.

Bob Dole, the party's presidential candidate, had served his country honorably in war and peace, and his campaign addressed the economic and social issues of deepest concern to Americans. That effort may have failed not because he is a man of substance and character but because he lacked sufficient platform skills to convince voters of the soundness of his positions.

While business would have been far happier with a first Dole administration than with a second term for Bill



**President Clinton** 



House Speaker Gingrich

put into historical and political perspective. For one thing, the outcome was by no

Clinton, the results of the election need to be

means a sharp break with history. Only 10 of the 26 Congresses chosen since World War II have been controlled by the same party that held the White House. The chief executive has had a Congress controlled by his own party in only three of the 14 Congresses elected since 1970.

It does not follow, however, that the years of divided government inevitably produced stalemate or that those years in which the president and the congressional majority represented the same party were highly productive.

While Bill Clinton will stay in the White

House, Newt Gingrich is expected to continue as speaker of the House of Representatives and Trent Lott as majority leader of the Senate.

Those Republican leaders, backed by their respective majorities, have demonstrated that they possess the vision, intelligence, and, yes, toughness needed to prevail in contests with the chief executive over the course of government.

It would be pleasant but totally unrealistic to think that the president and congressional leaders would resolve their differences



Senate Majority Leader Lott

through polite give-and-take in an atmosphere of gentlemanly compromise. The past two years have shown that neither the issues nor the individuals involved will lend themselves to such an outcome.

At the same time, both the president and congressional leaders are eager to establish records of accomplishment and have indicated since the elections a desire to work cooperatively. Business can play an important role in helping to shape what the accomplishments might be. NB

# HOW FAST ARE YOU GOING?

Are you keeping up?

Or falling behind?

Have you checked your speed lately?

Are you even moving?

Or lingering in neutral?

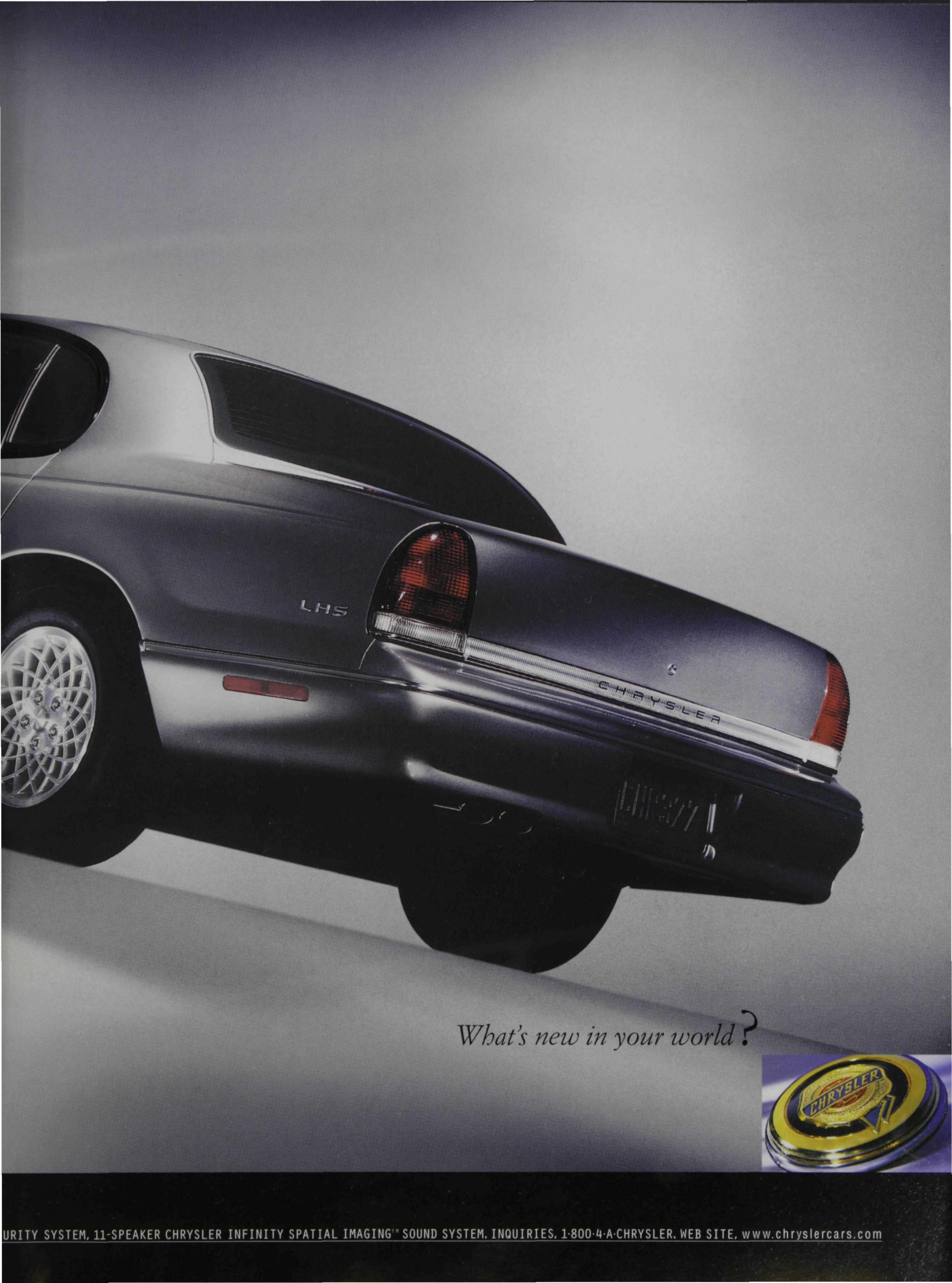
Today, technology

is moving things forward

fast.

Maybe it's time to punch it.

The 1997 Chrysler LHS

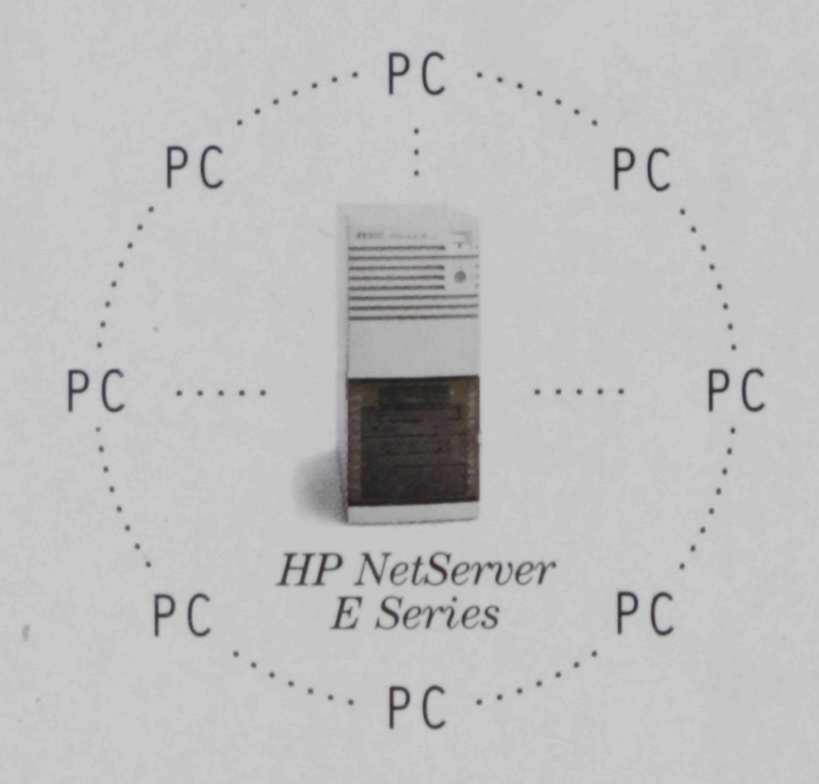


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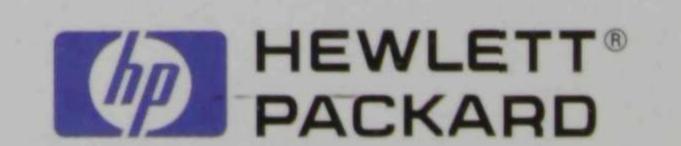
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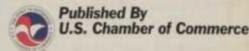


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# Business Advocate

SUPPLEMENT TO WINTOW S BUSINESS DECEMBER 1996



# Firms Sign Up For Plans

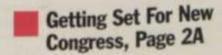


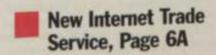
Craig Bunting, center, president of Jillette Advertising in Woodbridge, N.J., discusses the retirement plans being offered by the U.S. Chamber and Fidelity Investments with employees Stan Lemond, left, and Waverly Timmons. Low cost and simplicity, says Bunting, are two of the reasons his small business chose the CHAMBERplan for Retirement.

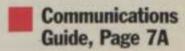
or three or four years, says Michael
A. Caldwell, vice president and coowner of American Equity Centers,
his mortgage brokerage had been
searching for a good retirement plan for
its employees.

"We looked around at the options that were available for 401(k) [plans] for small companies like ours, and there weren't too many," he says. "The ones that were available weren't very good."

Continued On Page 4A







## **■ Legislative Outlook**

## **Members' Priorities Previewed**

The top policy officials of the U.S. Chamber of Commerce presented the preliminary National Business Agenda for the next Congress at a recent forum broadcast by satellite to downlink sites nationwide.

The preliminary agenda is based on Chamber members' responses to a recent survey on legislative priorities.

A final agenda-based on the survey responses and recommendations from Chamber policy committees and the business federation's board of direc-

tors-will be presented early next year to the 105th Congress, which will convene in late January, and to the presi-

Chamber officials participating in the forum were R. Bruce Josten, senior vice president for membership policy, and vice presidents Jeffrey

Joseph (domestic policy), Martin A. Regalia (economic policy), Lonnie Taylor (congressional affairs), and Willard Workman (international).

In addition to previewing the issues, they discussed Chamber members' priorities in responding to likely legislative At a September forum broadcast by satellite, U.S. Chamber policy

officials discussed issues likely to be considered by the 105th Congress. From left to right above are Vice President Lonnie Taylor, Senior Vice President R. Bruce Josten, and vice presidents Martin A. Regalia, Jeffrey Joseph, and Willard Workman. At left are commentators Bob Bailey, left, and Tom Oliphant, who provided political perspective at the forum.

proposals such as provisions dealing with regulations, labor laws, and federal entitlements. Members specified their priorities in the recent survey.

The broadcast also included a discussion between political commentators Bob Bailey and Tom Oliphant on how politics

will guide the new Congress' legislative agenda. Bailey is publisher of the political newsletter Hotline; Oliphant is a columnist with The Boston Globe.

## **■** Reminder

## **Annual Meeting**

The U.S. Chamber of Commerce will hold its 1997 annual meeting Feb. 24 at its headquarters in Washington,

The meeting will run from 12:30 to 2 p.m. Eastern time and will be broadcast by satellite to locations throughout the country. There is no registration fee for U.S. Chamber members.

The legislative outlook for the 105th Congress will be the policy focus.

The four 1997 national honorees in the Blue Chip Enterprise Initiative will be recognized as well. The initiative, sponsored by the Massachusetts Mutual Life Insurance Co., known as MassMutual-The Blue Chip Company, the U.S. Chamber, and Nation's Business, recognizes small businesses that have overcome adversity and emerged stronger.

For the location of the satellite downlink site nearest you, or for more information about the Chamber's annual meeting, call (202) 463-5427.

## **■ Elections**

## **Labor Effort** Stopped Short

he U.S. Chamber of Commerce and other national business organizations, known collectively as The Coalition, helped protect a number of pro-business members of the U.S. House of Representatives who had been targeted for defeat on Election Day by organized labor.

"The AFL-CIO's \$35 million campaign against the Republicans didn't work," said R. Bruce Josten, the Chamber's senior vice president for membership policy. "The business community called the union bosses and AFL-CIO President John

Sweeney on their false and misleading attack ads, and business prevailed." Of the 72 pro-business lawmakers who



Political analyst Charles Cook correctly predicted a close contest for control of the U.S. House of Representatives in a pre-election address at the U.S. Chamber of Commerce.

were targeted by the AFL-CIO, only 17, or 24 percent, lost their re-election bids.

In contrast, 242 of 324 House and Senate candidates endorsed by the Chamber, or 75 percent, won election to the 105th Congress.

## **■** Regulation

## **Rules-Accountability Measure Passed**

Business obtained another weapon for its fight against onerous federal regulations recently when Congress passed and President Clinton signed into law a regulatory-reform measure backed by the U.S. Chamber of Commerce. The measure requires the White House Office of Management and Budget to report to the public the cumulative annual costs and benefits of government rules.

It was enacted as an amendment to legislation appropriating spending for fiscal 1997 for a number of federal agencies. The author of the provision was Sen. Ted Stevens, R-Alaska.

Under the amendment, the OMB must analyze the direct and indirect impacts of federal

regulations on the private sector, state and local governments, and the federal government. It must also project the potential benefits and costs of individual rules it estimates will cost the economy more than \$100 million annually.

In addition, the agency must recommend to Congress and the president ways that wasteful or outdated regula-



Small-business owner Scott Holman, a member of the U.S. Chamber's board of directors, explained to a congressional panel earlier this year why small firms want the government to limit moves to issue new rules.

tions can be reformed or eliminated.

The required actions must be carried out and reported to Congress and the public no later than Sept. 30, 1997.

Testifying before a subcommittee of the Senate Governmental Affairs Committee following approval of the amendment, U.S. Chamber board member Scott Holman said: "Efforts to promote regulatory accountability, efficiency, and flexibility are vital to win back the confidence of small business in a regulatory system that suffers from a serious credibility gap."

Holman is the owner and president of Bay Cast, Inc., a custom steel-castings company in Bay City, Mich. He testified on the Clinton administration's regulatory planning and review activities and the difficulties small businesses face in

complying with federal rules.

"Small businesses," said Holman, "see little evidence to suggest that regulatory burdens have been reduced or that fundamental changes have occurred in the process by which regulations are created. Many regulations continue to impede the ability of small business to compete in the emerging global economy."

While he criticized the Clinton administration's regulatory-reform efforts. Holman praised the Republican-controlled Congress for passing measures designed to increase the government's and the public's understanding of the impact that new rules are likely to have.

The recently enacted provision "is an important step in determining the cumulative costs and benefits of the federal regulatory programs," said Holman.

## **■** Legislation

## Firms Gain Immigration-Law Protections

The U.S. Chamber of Commerce helped gain protections for business in a new law aimed at stemming the flow of illegal immigrants into the U.S.

The protections make it more difficult for the federal government to sue employers who inadvertently discriminate against individuals in seeking to verify their employment eligibility.

Under the Immigration Reform and Control Act of 1986, employers are required to obtain, copy, and retain documentation on prospective workers' eligibility for employment in the U.S. Employers can be fined and/or jailed for record-keeping violations and for hiring illegal workers. The 1986 law also provided penalties on employers who in the course of trying to verify employment eligibility discriminate against individuals based on their national origin.

Under the new immigration provi-



A new law that strengthens efforts to prevent illegal immigrants from entering the U.S. also eases some immigration-related rules on employers.

sions, included in a bill providing spending for fiscal 1997 for several federal agencies, before the government can impose a penalty, it must prove that an employer had an "intent of discriminating against" an individual. The provisions also create three pilot programs that, when implemented by Oct. 1, 1997, will enable employers in test states to electronically verify an individual's U.S. employment eligibility.

In addition, the new measure will increase the number of Border Patrol agents, authorize additional funds for improving fences and roads along the U.S.-Mexico border, and increase penalties against illegal aliens entering the country.

Other Chamber accomplishments related to immigration in-

clude the dropping of provisions that the business federation opposed because they would have had a negative impact on employers.

#### Benefits

## **Retirement Program Lauded**

Continued From Page 1A

That problem encountered by the Indianapolis-based company is not unusual. The cost, administration, and complexity of setting up a retirement plan are often too great for small firms. According to the Employee Benefit Research Institute, in Washington, D.C., only 19 percent of companies with fewer than 25 workers have retirement plans.

As a way to address the problem, the U.S. Chamber of Commerce and Fidelity Investments are offering small firms an alternative. It's called the U.S. CHAMBERplan for Retirement, and it consists of a package of retirement plans and services that are designed to be accessible, affordable, and convenient.

"When we read about the Chamber offering this new service, we jumped on it, and it's been great," says Michelle Menchin, vice president and director of client services for John Adams & Associates, in Washington. She says the public-affairs firm with 10 employees had been looking for a retirement plan for at least two years before she learned about the Chamber-Fidelity plan.

"We had so much difficulty in the past finding a plan. Even our accountant had trouble helping us," she says. "There were just no options for small businesses

like ours."

The CHAMBERplan products are designed primarily for businesses with fewer than 100 employees. Fidelity provides investment management, recordkeeping services, and employeecommunications materials for the retirement plans.

Says Raymond J. Marcinowski, senior vice president for Fidelity Institutional Retirement Services Co. in Covington, Ky.: "The U.S. Chamber's small-business members wanted one-stop retirement shopping that would

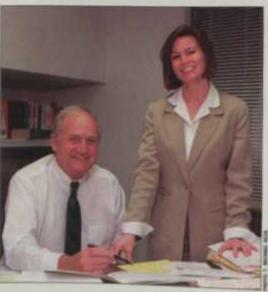
help eliminate the confusion around retirement planning and would provide them with affordable and easily administered services."

Since the retirement program was announced in May, more than 5,000 companies have expressed an interest in it, according to Fidelity.

Lawrence B. Kraus, senior vice president for administration at the Chamber,



Entrepreneurs such as Michael A. Caldwell, above left, and A.P. Stanley Hyde of American Equity Centers and A. John Adams and Michelle Menchin, below, of John Adams & Associates were unable to find suitable retirement plans until they learned about - and signed up for - plans offered jointly by the U.S. Chamber and Fidelity Investments.



says the retirement plan is a plus for Chamber members. "To be able to compete effectively in today's competitive marketplace," says Kraus, "small business must be able to attract and retain skilled, motivated workers. One way to do that is through a competitive benefits package, including retirement plans."

That was certainly the thinking of Rob Wilborn, president of Hunter Technical Services, a Phoenix temporaryhelp agency. "We're a young company-five years old-and we want to retain our employees," he says. "This was one of the avenues we selected, the 401(k) benefit."

Chamber member companies receive a discount on the retirement plans. The cost of administering the 401(k) plan, for example, is \$1,400 a year plus \$28 per employee. Most investment firms charge between \$3,000 and \$6,000 a year to administer such

The Chamber-Fidelity program's affordability and simplicity were the pluses that interested Craig Bunting, president and chief executive officer of Jillette Advertising, in Woodbridge, N.J. Bunting says his four-employee company joined the Chamber to be eligible for the CHAMBERplan for Retirement program. Getting questions answered and obtaining information from Fidelity in implement-

ing the plan have been easy, he notes. "I'm very pleased with the way Fidelity

has been handling things."

Menchin of John Adams & Associates says the plan "was really easy to implement. It was just a matter of having a meeting and introducing [the plan] to the employees. All of the materials were pro-

vided by Fidelity."

Even small companies that already have plans are looking at the Chamber-Fidelity program. Steve Porter, a partner with Coughlin, Porter, Lundeen, a Seattle architectural firm, says the company is "strongly" considering switching from its current retirement plan to the CHAMBERplan for Retirement.

"I think that this retirement plan is a great opportunity for small-business owners to offer retirement plans to em-

ployees," Porter says.

Says American Equity Centers' Caldwell: "I don't know how many businesses are aware of" the Chamber-Fidelity program, "but it looks like it would be a winner for small business."

For more information on the CHAMBERplan, call 1-888-RET-PLAN (1-888-738-7526).

## We've teamed up to create a retirement program that's in a league of its own.

Fidelity has joined forces with the U.S. Chamber of Commerce to create a retirement program exclusively for Chamber members. It's called the U.S. CHAMBERplan<sup>SM</sup>

The program makes setting up a tax-deferred retirement plan for your small business easy and affordable. Whether it's a SEP-IRA, Keogh, 401(k) or the new SIMPLE Plan (available after January 1, 1997). Each plan offers a wide variety of investment choices from one of the world's largest and most respected mutual fund companies - Fidelity Investments.

But hurry, because if you're interested in opening a Keogh for 1996, the deadline is December 31 for a calendar year plan. A Fidelity Keogh allows smallbusiness owners to save on taxes while saving for retirement.

Call a CHAMBERplan specialist today to find out which retirement plan may be right for you and your business.



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### **Internet**

## **New System For Commerce**

The proprietors of Unibex, a unique system for conducting commerce electronically, are making a trial Business Page available to each member of the U.S. Chamber of Commerce.

A Business Page is a sophisticated electronic equivalent of a business card. The page, which can be customized, will be complimentary for a limited period starting in January.

A Business Page resembles the home page that a company can post on the Internet's World Wide Web to describe itself and its products and services.

Because the Unibex system is designed to facilitate global commerce, however, a Business Page enables customers worldwide who are connected to the Internet to view catalogs, exchange buy and sell offers, order products and services, pay for them, and arrange for shipment.

Moreover, Business Page transactions have security protections and can be used alone or in conjunction with an Internet home page.

"Unibex is the world's only compre-

hensive global business-to-business commerce system," says Mark Van Fleet, the Chamber's Unibex manager. "Unibex's overall suite of business applications allows companies to research new markets, locate and qualify prospective trading partners, access trade support and advisory services, and exchange the full range of transaction forms and documents.

The Chamber's partners in the Unibex venture are AT&T. Chase Manhattan Bank, Digital Equipment Corp., Dun & Bradstreet, IBM, Simon & Schuster, Deloitte & Touche, and Technology

Solutions Co.

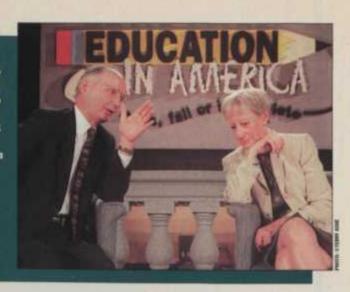
Unibex is the more comprehensive and advanced descendant of the International Business Exchange, or IBEX, launched by the Chamber and several business partners in 1995.

For more information about establishing a Business Page on the Unibex sys-

tem, call 1-800-537-4239.

### Education

**U.S. Education** Secretary Richard Riley and Kansas Republican Nancy Kassebaum, who did not run for re-election to the Senate, talk about the need for reform of the education system during a town meeting sponsored by the U.S. Chamber's Center for Workforce Preparation.



## **Management**

## **Spring Seminars Slated**

he Quality Learning Services (QLS) Department of the U.S. Chamber of Commerce has announced its spring 1997 series of business seminars.

The American Society for Training and Development, in Alexandria, Va., has joined with QLS to present the spring seminars, which will be broadcast by satellite nationwide. ASTD is a leading organization of workplace training and development professionals.

The series will run from March 11 through June 3 at times to be deter-

mined. The series schedule is:

March 11-"Technology For Your Small & Growing Business," Hattle Bryant, creator and host of "Small Business 2000," a Public Broadcasting Service television series that provides how-to information on starting and running a business.

March 18-"Snapshots Of The 21st Century: A Kiplinger Forecast To Meet the Millennium Head-On," Knight A. Kiplinger, co-editor of The Kiplinger Washington Letter.

April 1-Better, Faster & Efficient: 10 Steps To Improving Your Business Through Technology," Cheryl Currid, author of Cheryl Currid's Guide to Business Technology.

April 15-"Keeping 'First Things First': The Secret To Real Productivity,"

A. Roger Merrill, founding vice president of Covey Leadership Center Inc., a leadership development firm in Provo, Utah.

April 29-"Be Direct!: Make Your Direct Marketing & Advertising Pay," Lester Wunderman, chairman of Wunderman, Cato, Johnson, a New York City advertising agency.

May 6-"Guerrilla Marketing For Your Small & Growing Business," Jay Conrad Levinson, author and co-founder of Guerrilla Marketing International, Inc., of Mill Valley, Calif. This program is sponsored by the Edward Lowe Foundation.

May 20-"It's About Sales: Develop Selling Skills-Even If You're Not In Sales!," Molly Breazeale and Daniel M. Handley, Dale Carnegie Training, Garden City, N.Y.

June 3—"Mission Possible: Creating A World-Class Organization While There's Still Time," Ken Blanchard, chairman of Blanchard Training and Development, Inc., of Escondido, Calif., and author of The One Minute Manager.

For more information on the series, call the QLS fax-on-demand service at 1-800-851-8705 and enter 198. If you don't have a fax and would like more information, call QLS at 1-800-835-4730 or (202) 463-5940.



# Communications Guide For 1997



This communications guide was prepared by the staff of the U.S. Chamber's Grassroots Action Information Network.

Your senators and representative were elected to represent you—whether you voted for them or not. But if you want them to represent your views in Congress, you must ensure that they know how pending legislation would affect you and your business.

Members of Congress want to be re-elected. Therefore, they listen to their constituents, known in Washington as "the grass roots." You can become an important part of the small-business grass roots by devoting a minimal amount of time to expressing your views on legislation that is potentially important to your company.

As a constituent, you will have more clout with your legislators than any entity such as a corporation or an association lobbying on your behalf. You can have a powerful voice in shaping the outcome of business-related bills.

The U.S. Chamber of Commerce, through GAIN—the Chamber's Grassroots Action Information Network—works with its members to minimize the burdens of government on business. GAIN helps you play an active role in the legislative process. Most important, participation is easy and efficient, because we know you don't have a lot of time to spare.

Following are tips to help you communicate your views when you meet with your legislators or with the news media. Remember: Do not be awed by your legislators. They are people just like you. Typically, they are generalists on issues and may shy away from specifics.

They may not understand an issue as well as you do. Discuss the issues with them, but do not lecture them or act defensive or hostile.

## **Meeting With Your Legislators**

Whether you set up a formal meeting with your legislators in their offices or speak briefly with them at public functions, it's important that you remember a number of key points.

**Call For An Appointment** 

If you or your group would like to meet with a legislator in his or her local or Washington office, make an appointment. Legislators operate on tight schedules. Call at least a week in advance and indicate what you want to discuss so that the legislator can prepare.

Doing this reduces the chance that your concerns and questions

will be met with a noncommittal answer, such as "I'll have to research that and get back to you."

#### Remember That Time Is Valuable

Always arrive on time for appointments and do not expect to exceed the time allotted by the legislator's office. Always call to confirm appointments beforehand and do not be upset if a meeting is cut short. Constantly changing schedules can make it impossible for your legislator to meet with you, and you may not find this out until the last minute. In such an instance, you probably will meet with a staff member, who may know more about the issues than the legislator. A staff person can be a strong advocate for your position.

If you catch your legislator at a local function, be as brief as possible. You likely will be just one of many people trying to get the legislator's ear.

## **Attention GAIN Participants**

Because of the November elections, Congress adjourned early this year. The new Congress will convene in January. Shortly thereafter, participants in GAIN, the Grassroots Action Information Network, will again be receiving legislative information via the GAIN system. Members of the Chamber's legislative team look forward to working with network members during the new Congress. For information on how to join GAIN, call (202) 463-5604.

#### **Organize Your Thoughts Ahead Of Time**

Whether you plan to meet with legislators at their offices or catch them at public functions, make sure you have your "pitch" rehearsed. It should cover your position, opposing arguments and why they are wrong, and why your position is better for your congressional district than the opposition's.

Do not present loads of statistics or overstate your case. Personal anecdotes can be extremely effective in bringing an issue down to a personal level.

## GAINUPDATE



#### Select A Spokesperson

If you are part of a group, select a spokesperson to ensure that the meeting covers all your points. Make sure everyone knows and agrees on what will be covered so that you don't waste a legislator's time or come across as disorganized.

#### Ask For A Commitment

Do not be timid. Ask legislators how they stand on issues. Again, do not be hostile, but let them know you expect answers.



#### Leave Behind A One-Page Fact Sheet

This sheet should offer a concise summary of the problem and your proposed solution. Again, relate the impact of the issue to constituents.

#### Say Thank You

After meetings, send a thank-you note to legislators and the appropriate staff members. (Thanking staff members almost always ensures that a legislator will see the thank-you note.)

## Conveying Your Message To The News Media

Developing and implementing a media strategy for your business or organization can be challenging and frustrating yet tremendously rewarding. Your local newspapers and radio and television stations provide excellent and receptive venues for spreading a compelling message.

The media can help you reach a wide audience, increasing your chances of drawing more people to your cause. In addition, you and your business or organization can acquire a reputation for expertise in your field. Media coverage helps the public to focus on your concerns, and best of all, it's free.

If possible, your group should appoint a media spokesperson, preferably someone who is experienced in writing press releases and talking with reporters and who has a basic understanding of how the news media work. If your group does not have someone with these skills, appoint someone who is willing to learn.

Following are various tools that will help you get your message across.

#### Media Lists

A media list, complete with names, phone and fax numbers, and addresses, will help you keep track of reporters and editors easily. Your list should include daily and weekly newspapers, magazines, newsletters, talk radio programs, and television stations as well as the names of reporters or columnists who write about your areas of interest.

#### Press Kits

A press kit should contain materials that give your business or organization credibility and help you sell your issues to the media. It need not be elaborate or expensive; a folder containing a press release, fact sheets, charts, your business card, and your organization's most recent newsletter, magazine, or annual report will suffice.

#### Writing A Press Release

Press releases are the simplest and most commonly used ways to get your message to the media. They can be used to announce breaking news, upcoming events, or your organization's response to or position on recently introduced legislation or late-breaking occurrences.

Put the most important information at the beginning of the press release. This will ensure that the most critical points are made early if an editor cuts the text to save space, include the "five W's": who, what, where, when, and why, as well as how.

Keep the release short and simple, and be sure it has no typing errors.

#### Letters To The Editor

The letters-to-the-editor sections of newspapers and magazines provide forums for you to reach a wide audience without incurring any expense. Studies have shown that letters to the editor rank first among content areas that readers turn to first.

Your letters should be clear, to the point, and no longer than three or four paragraphs. Be sure the text is double-spaced. Always include your name, address, and work and home phone numbers so that an editor can call you to confirm that you are the author of the letter or to ask questions about its content.

#### Talk Radio/Television

Many radio and television stations produce a talk show or community-service program that airs at least once a week.

Familiarize yourself with your area's local shows by listening to them. Keep a list of the names of shows and of their producers or hosts and their phone numbers.

Call or send information explaining who you are and whom you're recommending as a guest. Send a press kit that contains information on the issue as well as biographical information on the proposed guest. Again, keep it simple.

If you or your recommended guest goes on the air, come up with a few good "sound bites"—catchy phrases or slogans that will leave a lasting impression on listeners. Use a clear, conversational tone; don't preach or ramble.

For more information about GAIN, call the U.S. Chamber's Office of Membership Grassroots Management at (202) 463-5604.

## **U.S. Chamber of Commerce 1997 Congressional Handbook**

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## **M** Health Care

## Chamber Sees More Mandates

Two recently enacted health-care mandates could be just a preview of what may come next year, according to the U.S. Chamber of Commerce, which opposed the new requirements.

"The biggest danger now," says Neil Trautwein, manager of health-care policy for the Chamber, "is that Congress may feel emboldened to impose more and more mandates on employers."

#### **New Mandates Passed**

The newest mandates were passed by Congress Sept. 24 and signed into law by President Clinton Sept. 26. One requires employers of 50 or more workers who offer mental-health coverage as part of their health-care plans to have annual and lifetime spending caps for mental-health coverage equal to the caps for other illnesses.

The other mandate requires health-insurance plans to permit mothers and their newborns to remain in the hospital for at least 48 hours after conventional deliveries and at least 96 hours after Caesarean sections.

Both requirements take effect Jan. 1, 1998, and expire Sept. 30, 2001.

Benefit mandates, says the Chamber, will drastically increase employers' health-care costs. The business federation also opposed the maternity-care provision because it legislated clinical guidelines that the Chamber says are best determined by doctors and patients.

The mandates were added to a bill appropriating funds for operating the federal departments of Veterans Affairs and Housing and Urban Development and several independent agencies during fiscal 1997, which began Oct. 1.

#### **Business Wins Concessions**

Several other mandates were dropped from the appropriations bill in the face of strong opposition by the Chamber and other business groups.

In a concession to business on the mental-health mandate, other aspects of coverage, such as deductibles and copayments, can remain different for mental health and other health coverages.

Also, if a firm can prove that the mental-health mandate has increased or would increase its insurance premiums by 1 percent or more, it will be exempt from the provision.

### Trade Secrets

## **Civil Remedy For Theft Needed**

Theft of proprietary business information will be a focus of the U.S. Chamber of Commerce when the 105th Congress convenes in late January.

The Chamber plans to push for the ad-

dition of a civil remedy for the theft of such information to an economic-espionage law that was signed by President Clinton on Oct. 11.

The new law makes it a federal crime to steal certain proprietary



Rep. Bill McCollum

economic information such as trade secrets.

The legislation was sponsored by Sens. Herbert H. Kohl, D-Wis., and Arlen Specter, R-Pa., and Rep. Bill McCollum, R-Fla., and approved by Congress in early October.

Under the law, individuals convicted of stealing proprietary economic information for a foreign company or government could be fined up to \$500,000 and/or sentenced to up to 15 years in prison. Organizations convicted of such theft could be fined up to \$10 million.

Individuals convicted of stealing for a U.S. company could be jailed for up to 10 years and/or fined up to \$500,000; organizations could be fined up to \$5 million.

Earlier this year, in testimony before the House Judiciary Subcommittee on Crime, the Chamber urged lawmakers to include a civil remedy for economic es-

> pionage in the legislation.

The Chamber pointed out that the "beyond-a-reasonable-doubt" standard needed for a criminal conviction would be difficult to meet in many economic-espionage cases, particularly ones



involving foreign organizations, governments, or individuals. Convictions in civil cases require only a "preponderance of the evidence."

Also, said the Chamber, those caught stealing or using trade secrets may not always have the "criminal intent" required to be prosecuted under a criminal statute.

The Chamber said that businesses whose proprietary information has been stolen would receive a number of benefits from a civil-remedy option. Among those benefits, the businesses would be able to select and supervise their own counsel in a civil trial. Criminal cases are prosecuted by the federal government.

### **I**International

Reps. Charles B. Rangel, D-N.Y., left, and Philip M. Crane, R-III., recently addressed a U.S. Chamber of Commerce International Forum meeting on the importance of educating the public about the benefits of expanding trade. In the 104th Congress, Grane was chairman of the House Ways and Means Subcommittee on Trade; Rangel was the panel's top Democrat.



## Business Outlook

## **Confidence In The Economy Slips**

Business's confidence in the economy fell to its lowest point since February, according to the U.S. Chamber of Commerce's latest poll of its members.

The Business Confidence Index, which is based on the Chamber's bimonthly Business Ballot poll, fell to 53.5 in October from 54.8 in August. In February, it was 53.5. (See the accompanying chart.)

The widely reported index is based on responses to three economic-outlook questions asked in each Business Ballot poll. The ballot also asks questions about other timely issues, such as legislation pending in Congress.

In the most recent poll, 20.9 percent of the respondents said

they expected the economy to improve over the next six months. That was down slightly from the 21.6 percent who expressed optimism in August.

The percentage of respondents who believed the economy would get worse also was down slightly, with 30.6 percent expecting economic growth to subside over the next six months, compared with



30.6 percent in August. Just over 48 percent said they expected no change in the economy.

Respondents also were less optimistic about the outlook for their own firms in October than in August. In the October poll, 39 percent said they expected sales to increase over the next six months, compared with 43.8 percent in August. Just over 17 percent—the same percentage as in August—said they expected sales to decrease, and 43.7 percent expected no change, compared with 39.2 percent in August.

On the employment front, just 21 percent of the respondents to the October poll expected to add jobs over the next six months, compared with 23.4 percent in August. The percentage of firms that indicated they would cut jobs was also down, at 12.1 percent, compared with 12.6 percent in August.

Firms expecting no change in the size of their work forces made up 66.9 percent of respondents, compared with 64 percent in August.

"This data confirms our belief that the economy will slow in the second half of the year," said Martin A. Regalia, vice president and chief economist for the Chamber.

"But even with the slowing, the economy should continue to grow by the 2 to 2.5 percent annual average at which it has been growing for the past few years," Regalia said.

## Poll Results

## Firms Want Taxes Cut, Federal Budget Balanced

The overwhelming majority of business owners responding to the latest Business Ballot poll favor cuts in federal taxes and spending.

More than 96 percent of respondents to the bimonthly poll of U.S. Chamber of Commerce members said cutting taxes and balancing the federal budget should be "major goals" of Congress and the president next year. Only 2.5 percent disagreed with those priorities, and 1.1 percent of firms were undecided.

When asked whether reducing the tax on capital gains would spur economic investment, 89.7 percent of the respondents said it would, 5.4 percent disagreed, and 4.9 percent were undecided.

Nearly 88 percent said they favor a 15 percent across-the-board cut in marginal tax rates as long as the cut was accompanied by sufficient reductions in federal spending to balance the budget by 2002. Just 6.4 percent said they don't favor such a rate cut, and 5.8 percent were undecided.

Former Senate Majority Leader Bob Dole of Kansas, during his run for the White House, advo-

cated a 15 percent cut in income taxes. He also called for a 50 percent reduction—to 14 percent from 28 percent—in the capital-gains tax. Dole contended that the tax reductions would create jobs, spur investments, and help balance



U.S. Chamber Chief Economist Martin A. Regalia, right, and Robert D. Barr, the organization's deputy chief economist, review the results of the latest Business Ballot poll.

the federal budget. President Clinton during his re-election campaign called for smaller, targeted tax cuts and placed more emphasis on protecting spending for Medicare, education, and the environment.

## Litigation

# **Court To Weigh Key Cases**

The National Chamber Litigation Center, the nonprofit public-policy law firm of the U.S. Chamber of Commerce, is involved in five important business cases pending before the U.S. Supreme Court.

The court began its 1996-97 term Oct. 7 and is expected to issue decisions in the cases before the term expires in June.

The cases in which the NCLC has filed friend-of-the-court briefs deal with the definition of "employer" under the Civil Rights Act of 1964, overtime pay, federal pre-emption of state prevailing-wage laws, fraud suits filed against government contractors, and state taxation of interstate commerce.

Here's a preview of the issues to be decided:

#### **Contractor Suits**

In a case from the 9th U.S. Circuit Court. of Appeals, in San Francisco, the NCLC urged the Supreme Court to reverse a decision that allowed a government-contractor employee to use a government audit that had been disclosed to employees of the contractor as evidence against his employer, whom the employee alleged had defrauded the government.

The government whistle-blower, William J. Schumer, sued Hughes Aircraft Co., of Los Angeles, under the False Claims Act, alleging that the aircraft systems maker illegally charged expenses for one program to another.

In 1986, Congress amended the Civil War-era False Claims Act to allow employees and the public to sue contractors on behalf of the government when a contractor defrauds the government. But the amended law also bars whistle-blowers from using "publicly disclosed" documents as the basis for their suits.

The False Claims Act entitles a citizen who brings a suit to one-third of any judgment against a company. The statute was updated to encourage individuals to expose fraud by government contractors, especially in the absence of any government action to expose or penalize

In this case, Schumer relied on an administrative audit conducted by the government. The audit report was disclosed to Hughes employees.

The 9th Circuit ruled that a government audit report cannot be considered a "public disclosure" until it is actually obtained by a member of the public. However, the 2nd U.S. Circuit Court of Appeals, in New York City, had previously ruled in a different case that disclosure to a contractor's employees constitutes public disclosure.

The NCLC argued in its Supreme Court brief that the 9th Circuit's deci-



Attorney Bruce J. Ennis, managing partner of the Washington law office of Jenner & Block, reviewed business cases before the U.S. Supreme Court at a September media briefing sponsored by the U.S. Chamber's National Chamber Litigation Center.

sion "permits an employee to maintain a [False Claims Act] action even though he has no knowledge of wrongdoing except that which he learned from the government audit."

### Overtime Pay

Sergeants in the St. Louis Police Department sued the St. Louis Board of Police Commissioners, claiming they were not exempt from a provision of a federal law that requires employers to pay workers time and a half for hours worked over 40 in a week.

The provision is in the Fair Labor Standards Act (FLSA).

The act exempts from the overtime requirement employees who work in an executive, administrative, or professional capacity if they are paid "on a salary basis," That means a worker is paid for a period "without regard to the number of days or hours worked."

Employers cannot deduct pay from ex-

empt employees who are absent for part of a day but can for whole-day absences if those absences are a result of illness or personal reasons. Employers cannot deduct pay for partial-week absences-but can for absences of a full week-if the absences result from a lack of available work for an employee.

Deductions for partial-week absences also are not allowed if the worker has jury duty, is a court witness, is on temporary military leave, or if the employee violates workplace rules other than major

safety rules.

The St. Louis officers argued that they should receive overtime pay because much of their work activity does not fall under the FLSA definition of an exempt em-

They also pointed to a two-day suspension without pay for a sergeant who violated the city's

residence requirement.

But the FLSA allows employers a "window of correction" to repay deductions when they are made inadvertently or for reasons other than for a lack of available work.

The suspended sergeant was repaid for the deduction, and the city policy of suspending officers

who violate the residence requirement was changed.

In their suit, the officers claim that the "window of correction" is available only for inadvertent deductions.

The NCLC, in Francis Bernard Auer. et, al., vs. David A. Robbins, et. al, asked the Supreme Court to uphold a decision by the 8th U.S. Circuit Court of Appeals, in St. Louis, that found that the sergeants' primary duties were managerial and, therefore, that they were exempt from the FLSA overtime require-

The Chamber litigation center asked the Supreme Court to hold that pay deDECEMBER 1996

ductions in violation of the FLSA should result in the loss of FLSA-exempt status only for employees whose pay was docked and only for the period for which the deduction occurred, and that the "window of correction" is available for deductions made inadvertently or for reasons other than lack of available work.

It also asked the court to rule that the restriction against making partial-week suspensions-and pay deductions-for minor violations of workplace rules "is ir-

rational and invalid."

## **ERISA Pre-emption**

In State of California vs. Dillingham Construction, the Chamber litigation center asked the Supreme Court to rule that the federal Employee Retirement Income Security Act of 1974 (ERISA) pre-empts state and local prevailingwage statutes.

California's prevailing-wage law requires state contractors to pay employees working on state public-works projects the prevailing wage-usually the union journeyman's wage-

in an area.

A subcontractor to Dillingham Construction paid less than prevailing wages to apprentices working on a state detention center in Sonoma County. The prevailing-wage law allows apprentices to be paid less provided their apprenticeship training program has been approved by the state. In this case, the program was not approved, so the state contends that journeyman's wages should have been paid to the workers classified as apprentices.

California argued that state laws regulating government contracting and other areas of traditional state concern are immune from ERISA pre-emption unless the laws were specifically mentioned by Congress when it passed ERISA.

The NCLC and Dillingham, however, pointed out that ERISA pre-empts state and local laws relating to employee benefits and that it "makes no distinction between laws that regulate government contractors and laws that do not."

The case is on appeal from the 9th U.S. Circuit Court of Appeals, which ruled in favor of Dillingham.

## **Employment Discrimination**

In Darlene Walters and Equal Employment Opportunity Commission vs. Metropolitan Educational Enterprises, Inc. and Leonard D. Bieber, the NCLC asked the Supreme Court to uphold a lower-court ruling on how to count employees for purposes of complying with Title VII of the 1964 civil-rights law.

Title VII prohibits discrimination in I

employment based on sex, race, creed, or national origin. But the provision covers only employers who have "15 or more employees for each working day in each of 20 or more calendar weeks in the current or preceding calendar year."

Walters filed a sex discrimination lawsuit against Metropolitan Educational Enterprises, an encyclopedia sales company in Chicago, and its president, Bieber. The suit argued that an employee should be counted for each working day in a calendar week during which he or she appears on the payroll regardless of whether the employee actually worked each day that week.

Metropolitan and the NCLC con-

tended that a worker "does not count for a given day unless he or she is entitled to pay for the day."

Using Walters' method of counting, Metropolitan would have employed 15 or more workers during the period the company is alleged to have violated Title VII.

The 7th U.S. Circuit Court of Appeals, in Chicago, agreeing with Metropolitan and the NCLC, said that an employee

should be counted for each working day in a calendar week during which he or she is paid or is on paid leave.

The Chamber litigation center said that adopting Walters' and the EEOC's method of counting workers would broaden Title VII to small businesses that use part-time or temporary employees, which Congress did not intend.

#### Interstate Commerce

The NCLC also asked the Supreme Court to reverse a decision by the Ohio Supreme Court that allows Ohio to exempt from state tax the sale of natural gas by local distribution companies that both transport and sell the gas they deliver to Ohio customers.

In the case, General Motors Corp. vs. Roger W. Tracy, Tax Commissioner of Ohio, the NCLC argued that Ohio's tax exemption for natural-gas purchases from certain in-state sellers but not

from out-of-state sellers discriminates against interstate commerce and provides a commercial advantage to intrastate commerce.

GM brought the suit to obtain the tax exemption for purchases of natural gas from out-of-state distributors. The gas was used to operate its plants in Ohio.

The tax law violates the Commerce Clause of the U.S. Constitution, the Chamber legal center believes. The clause, the NCLC pointed out in its brief. says that "states may not impose taxes discriminating against interstate com-

Further, said the NCLC, "the [federal] agency charged with overseeing our nation's natural gas policy has endorsed the creation of a national gas market 'in which no gas seller has a competitive advantage over another gas seller."

The Ohio Supreme Court's decision contradicts both the Commerce Clause and federal energy policy, argued the NCLC.

### M Strikers

## Administration **Drops Challenge**

The Clinton administration decided in September not to appeal a court decision marking a legal victory for the U.S. Chamber of Commerce in a battle over replacement workers.

The battle was over an executive order issued by the president on March 8, 1995. It prohibited federal agencies from

awarding contracts larger than \$100,000 to companies that had permanently replaced workers on strike for economic reasons, such as wages or benefits.

The Chamber challenged the order in the U.S. District Court for the District of Columbia, and the court blocked the order's enforcement. The Chamber won subsequent court decisions on the matter before a three-judge panel of the U.S. Court of Appeals for the District of Columbia and before the full 11-member appeals court. The administration could have taken the matter to the U.S. Supreme Court.

### ■ Telecommunications

Sen. Conrad Burns, R-Mont., left, discusses congressional actions on telecommunications reform with the U.S. Chamber's telecommunications task force, while John B. Lynn, a member of the task force, listens. The task force meeting was held recently at the U.S. Chamber.



### Procurement

## **Contractor Rights Saved**

he U.S. Chamber of Commerce was instrumental recently in killing a legislative provision that would have severely limited the ability of government contractors to resolve disputes with the federal government.

The provision was dropped from the Alternative Dispute Resolution Act before the bill was passed by Congress Oct. 4. President Clinton signed the measure Oct. 19.

The provision was an amendment to bar the use of federal District Courts as a forum for resolving disputes between the federal government and its privatesector contractors.

Under the proposal, a company could contest the procurement-bid process only by filing a challenge in the U.S. Court of Federal Claims or by requesting an administrative review by the General Accounting Office; both are in Washington, D.C.

Elimination of the proposed amendment "is a major victory for all companies, especially small companies, that are doing business with the government," says Jody Olmer, director of domestic policy for the U.S. Chamber.

"Under the proposal that we defeated, contractors with a dispute concerning the award of a government contract



**Jody Olmer** 

would have been faced with the choice between giving up or traveling to Washingtonsomething many small businesses could not afford, either in terms of money or of

The Clinton administration had sought to eliminate federal District Court jurisdiction over federal procurement disputes. It won inclusion of the language in a Senate bill to permanently

reauthorize the Alternative Dispute Resolution Act. The statute sets rules for resolving disputes in the federal administrative process.

The House version of the bill reauthorizing the statute did not contain the procurement amendment.

Under a compromise measure passed in late September, just before Congress' early October adjournment, lawmakers agreed to retain the so-called Scanwell jurisdiction for four years and to allow equal jurisdiction by the Court of Federal Claims,

Scanwell jurisdiction refers to a 1970 appellate decision that upheld the authority of the federal District Courts to decide challenges to awards of government contracts. It was the decision by the U.S. Court of Appeals for the District of Columbia Circuit in Scanwell Laboratories Inc. vs. Shaffer

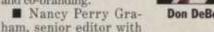
### News Show

## 'First Business' **Guests Slated**

peoming goests on "First Business," the weekday business-news television program of the U.S. Chamber of Commerce, will include:

Don J. DeBolt, president of the

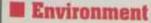
International Franchise Association. DeBolt typically appears on the show on the first Wednesday of every month. On Dec. 11, he'll discuss trends in franchising, such as owning multiple franchises and co-branding.



Money magazine. On Dec. 2, Graham, who appears on the program each Monday, will discuss Social Security benefits to which individuals may not realize they are entitled.

 Alan Meltzer, president of Meltzer & Associates, a financial-planning firm for small businesses. Meltzer, who appears monthly, will discuss legal agreements for partnerships and corporations on the Dec. 17 show.

"First Business" is sponsored by Massachusetts Mutual Life Insurance Co., widely known as MassMutual—The Blue Chip Company. It is broadcast by satellite from the Chamber's headquarters in Washington and can be seen on more than 100 broadcast stations nationwide. (Check your local listings for the time and station in your area.)



## ISO 14000 Seminar

A seminar on new voluntary environ-mental standards—known as ISO 14000-will be broadcast Dec. 10 by the U.S. Chamber of Commerce. The broadcast is scheduled for 1 to 3 p.m. Eastern time. The seminar will explain the new international environmental management standards.

The program is being produced in cooperation with the National Institute for Environmental Renewal, an environmental consulting firm in Mayfield, Pa.

Companies and organizations can host downlink sites of the seminar for \$495. The cost for attending will vary by site. For more information, call 1-800-835-4730 or (202) 463-5940.



Don DeBolt

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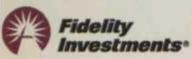
# Member Services

The U.S. Chamber of Commerce offers numerous services and publications to its members.

Here is a partial listing of these benefits.

#### Retirement Plans For Member Firms

The U.S. Chamber and Fidelity Investments are offering a package of retirement plans and services that are designed to be accessible, affordable, and convenient for Chamber members.



The products are intended primarily for businesses employing fewer than 100 workers. They include 401(k), Keogh, and SEP-IRA plans. Beginning Jan. 1, another option, called SIMPLE—Savings Incentive Match Plan for Employees—will also be available. SIMPLE is a type of plan that was recently approved by Congress and signed into law by President Clinton.

Fidelity provides investment-management and record-keeping services as well as materials for employers to use in communicating with employees about the plans.

For more information or advice about your own plan, call Fidelity foll-free at 1-888-RET-PLAN (1-888-738-7526).

### Workers' Comp Supplement



The 1996 supplement to the Chamber's annual Analysis of Workers' Compensation Laws guide is available for \$8 for Chamber members and \$11 for nonmembers.

The supplement details legislative changes in workers' comp laws of the 50 states and the District of Columbia that took effect Jan. 1, 1996, as well as any midyear changes.

To order the supplement, write to the U.S. Chamber of Commerce, Domestic Policy Publications, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call (202) 463-5509. Request publication No. 0459. Checks should be made payable to the U.S. Chamber of Commerce.

The 1996 Analysis of Workers'
Compensation Laws, which contains summaries of the various workers' comp laws, is still available as well.

The analysis costs \$15 for Chamber members and \$25 for nonmembers. It can be ordered through the address and telephone number listed above. Ask for publication No. 0470. Bulk-order discounts are available.

### Annual Survey Of Employee Benefits

The Chamber's latest annual employee-benefits survey and related software are available separately or as a package.

The survey reports on the 1995 benefits practices and costs of a cross section of American businesses and is the most comprehensive survey of its type. It provides separate figures for salaried and hourly workers and gives comparative cost figures for various industry groups.

Copies of Employee Benefits 1996 Edition (Publication No. 0484) are available for \$35. To order, call 1-800-638-6582 between 9:30 a.m. and 4:30 p.m. Eastern time. In Maryland, call 1-800-352-1450.

Also available at the same numbers is the Employee Benefits Analyzer (Publication No. 0485), a \$95 software program that allows companies to compare benefits with others in the same industry, region, or size category. The program comes only on IBM-compatible disks.

The survey publication and software may be purchased together for \$115.

The Chamber is also offering BeneTrax, a computer program that enables firms to analyze their benefits and communicate the cost of benefits to their employees with a personalized benefits statement. The BeneTrax program, which is priced according to company size, can be ordered through the numbers listed above. The small-employer version—for firms with 25 or fewer workers—costs \$95.

#### Business Seminars

"Career Alignment: Matching Personal and Organizational Goals" will be the final topic in the fall series of satellite seminars presented by the U.S. Chamber's Quality Learning Services (QLS) Division.

The seminar will air on Dec. 3 from 1 to 3 p.m. Eastern time.

The speaker will be William J.
Morin, former chairman and CEO of
Drake Beam Morin, Inc., an outplacement and job-transition firm in
New York City.

For information on the seminar site nearest you or to learn how to host a downlink site, call QLS at 1-800-835-4730 or (202) 463-5940.

U.S. Chamber members who host downlink sites receive a 10 percent discount on the seminar price.

For a schedule of the spring 1997 satellite seminars, see Page 6A.

## Survey Of Local Chambers

The 1996 Survey of Local Chambers of Commerce, a compilation of financial and program data from chambers nationwide, is available from the Chamber's Office of Chamber of Commerce Relations.

The survey provides information on chamber executive and staff salaries, membership income, sources of income, membership statistics, and employee benefits. To order the survey, which costs \$40, call Fannie Jones at (202) 463-5580.



#### Resources For Small Firms



A catalog of products for small and growing companies is available free from the U.S. Chamber's Small Business Institute by calling 1-888-872-2724. The catalog lists training and education books, audio programs, videotapes, and software.

SBI was created to help new and existing firms excel in the midst of the many challenges they face.

### Airborne Express Discounts Available

Through a special arrangement between the U.S. Chamber and Airborne Express, Chamber members can save up to 37 percent on the cost of overnight shipments to nearly anywhere in the United States and to the more than 200 other countries served by Airborne. The company offers round-the-clock customer service and computerized package tracking.

To obtain the discounted service, call 1-800-636-2377 and identify yourself as a U.S. Chamber member. You will be sent a free starter kit on using Airborne Express.

### Toll-Free Help

If you have questions about your Chamber membership account, membership materials and publications, or member services, or if yo want to join the Chamber, call the organization's toll-free telephone number: 1-800-649-9719. If you'm calling from Washington, D.C., or Maryland, call (202) 463-5330. Yo will be connected to an automated attendant line that will offer a number of options from which you call choose to have your call directed.